The University of Chicago

Stay Alive, Stay True: The Trump-Era and Marketization of the Non-Profit Sector

By Faustina Wing Si Yick

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Paper presented to:

Instructional Professor, Chad Broughton

Instructional Assistant, Saliem Shehadeh

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Abstract

This study examines how nonprofit organizations are adapting their operations and missions amid systemic funding shifts under the Trump administration, with a focus on education-related programs. Drawing on Lester Salamon's dual-imperative framework—which posits a tension between nonprofits' *survival imperative* (adapting to market-driven funding landscapes) and their *distinctiveness imperative* (maintaining mission fidelity)—this research explores how nonprofit leaders navigate these competing pressures. Through interviews with Chicago-based intermediary 501(c)(3) nonprofits, this study identifies three critical strategies that enable these organizations to balance and uphold both imperatives: (1) active legal and mission risk management via diversified funding streams, (2) a nuanced understanding of local political philanthropic contexts, and (3) the forging of strategic alliances within the nonprofit sector. Ultimately these findings contribute to existing literature by arguing that intermediaries, when equipped with strategic agility, appropriate state-level support, and strong partnerships, have the potential to serve as pivotal actors and exemplars within the contemporary nonprofit ecosystem.

Introduction

"Do you speak out and risk the existential threat of losing funding for your organization? Or do you muzzle yourself—carefully crafting statements that hint at your hopes and desires, while ultimately sanitizing how you really feel?"

Hal Woods, Chief of Policy of Kids First Chicago (K1C), posed this dilemma in a recent interview. He was reflecting on the conflicting perspectives voiced by parents during a session of "The Living Room" – a bimonthly, virtual forum where Chicago parents can share experiences, learn strategies for children support, and engage with the public school system. Woods described how, in the wake of far-right backlash to Chicago Public Schools' (CPS) proposed Black Student Success Plan—a five-year strategy aimed at fostering equitable opportunity for Black students in schools—parents found themselves divided (Chicago Public Schools, 2025). Some suggested simply "changing the name" of the initiative to sidestep potential Diversity, Equity, and Inclusion (DEI) funding cuts under the Trump administration. Others resisted this move, arguing it risked undermining CPS's longstanding efforts to address racial inequality in education upfront.

This tension captures a broader dilemma confronting nonprofits. Lester Salamon, a prominent scholar in nonprofit studies, argues that due to the marketization of the nonprofit sector—whereby organizations must compete more and more aggressively for funding—they are now forced into a balancing act between two competing imperatives: the *survival imperative*, which requires organizations to adapt to increasingly market-driven funding landscapes, and a *distinctiveness imperative*, which demands they remain loyal to their mission. Nonprofits must therefore navigate a "force field" of conflicting influences—voluntarism, professionalism, civic activism, and commercialism—negotiating between

complying to external pressures to maintain funding and sustaining mission fidelity (Salamon, 2012).

President Donald Trump's new administration has only exacerbated this crisis of the nonprofit sector. On January 27, 2025, the Trump administration issued a sweeping memorandum suspending federal grants to non-governmental organizations (NGOs), specifically targeting programs related to DEI, climate action, and foreign aid under the guise of fiscal conservatism (Office of Management and Budget 2025). Though the policy faced legal challenges and bureaucratic ambiguities, its immediate effect was clear. Nonprofits nationwide entered a state of strategic distress: grappling with abrupt funding losses and political hostility while seeking ways to continue their programs and services (Del Pozo 2025).

Thus, a central question arises: *in the context of Trump-era funding shifts, how are nonprofit organizations adapting their mission and operations to withstand systemic shocks, while preserving their public purpose?* Building upon Salamon's dual-imperative framework as a conceptual springboard, this study explores how the nonprofit sector is navigating this complex and uncertain landscape. By situating the analysis within President Ronald Reagan's marketization of nonprofits in the 1980s, this study integrates historical context with real-time insights drawn from interviews with leaders from K1C and other Chicago-based 501(c)(3) organizations. It finds that intermediary nonprofits—organizations not dependent on federal funding but work closely with entities that do, such as CPS—possess a unique strategic latitude to align financial sustainability with mission fidelity. This alignment becomes possible under three key conditions: (1) active legal and mission risk management through diversified funding; (2) a contextual understanding of local political and philanthropic dynamics; and (3) the forging of alliances. Ultimately, this study demonstrates

that the marketization of the nonprofit sector need not be seen solely as a threat to mission integrity, but as an opportunity for renewed resilience and resolve.

The Marketisation of Nonprofits: Linking the Past and Present

Just seven days into his second term, President Trump's Office of Management and Budget (OMB) issued the *Memorandum for Heads of Executive Departments and Agencies*, which mandated an immediate suspension of all federal grant obligations and disbursements to NGOs involved in politically contentious areas that threaten "national interest." These targeted domains included foreign aid, DEI initiatives, "woke" gender ideology, and climate-related projects such as those tied to the Green New Deal. The following day, the OMB released a clarification exempting programs that provide "direct benefits" to American citizens—such as Medicare, Social Security, SNAP, Pell Grants, and Head Start—from the freeze. Nevertheless, the suspension of funding for the remaining nonprofits implicated by Trump's ideologically charged executive orders remained in effect (Office of Management and Budget 2025).

In response to a wave of legal challenges from charitable organizations and advocacy groups nationwide, the administration formally rescinded the initial memorandum just two days after its release. Despite this reversal, confusion persists. While White House Press Secretary Karoline Leavitt insists the funding freeze is "in full force," the Department of Justice has clarified that states retain full discretion over whether to continue funding specific nonprofits (Del Pozo, 2025). Regardless of interpretation, essential services across the nation have been facing drastic cuts in funding and layoffs, ranging from the Department of Education's cut of over $600 million in "divisive teacher training grants" to an elimination of $107.8 million in congressionally-directed workforce funding (U.S. Department of Education 2025; Coolberth 2025).

This lack of clarity and ever-changing funding landscape has left the nonprofit sector in a state of profound uncertainty. These blocks in critical funding streams, exacerbated by ambiguous criteria for what constitutes going against "national interest," reflect a renewed effort to politically devolve in the name of balancing the federal budget. In fact, these patterns echo earlier efforts of political devolution— namely President Reagan's "New Federalism" in the 1980s— marking significant efforts to marketize the nonprofit sector by decentralizing federal power and transferring greater fiscal responsibility to local governments. Understanding this historical context is essential for analyzing the market-driven and privatized climate for nonprofits today—and offer a glimpse into the issues that the sector may potentially face.

From LBJ to Reagan: "New Federalism" and the Devolution of the Nonprofit Sector

Upon his presidential inauguration in 1964, Lyndon B. Johnson declared his vision for a "Great Society" where "no child will go unfed, and no youngster will go unschooled" (Johnson 1964). This marked a watershed moment in federal policy, as Johnson sought to eradicate poverty through direct federal intervention and expanded social welfare programs. Central to this effort was the Economic Opportunity Act of 1964, which allocated $1 billion initially (later expanding to $2 billion) to empower communities via initiatives like Job Corps, Head Start, and Community Action Programs. These programs relied heavily on community-based organizations to deliver education, job training, and anti-poverty services, effectively positioning nonprofits as key partners in federal efforts (Salamon 2012).

The Great Society's expansion of federal responsibility catalyzed unprecedented growth in the nonprofit sector. While only 15 regional fundraising organizations existed in 1940, the sector ballooned to over 100 by 1960, with further acceleration under Johnson. The National Endowment for the Arts (1965) and Medicare/Medicaid (1965) institutionalized

federal funding streams, enabling nonprofits to address increasingly diverse causes—from minority rights to environmental advocacy (Penna 2018; Conlan 1984).

However, the 1970s and 1980s saw a stark reversal of this model. While President Reagan protected titular and broadly electoral programs such as Medicare/Medicaid and Social Security, his introduction of "New Federalism" policies dismantled the Great Society's funding model. This plan included slashing federal social spending by approximately $33 billion, a 20% reduction, and consolidated categorical grants into block grants that shifted fiscal responsibility to state government (Berry 2003). For instance, Reagan attempted to axe the Department of Agency and had planned to eliminate Johnson's National Endowment of the Arts. Reagan framed this as a return to "small town values," arguing decentralization would reduce "cumbersome administration" and empower private charity, thereby replacing inefficient federal grant making and government paternalism with state-level voluntarism (Reagan 1982)

However, the outcomes of New Federalism diverged significantly from Reagan's ideological aspirations. From 1981 to 1982, the nonprofit sector recorded a marginal increase of 0.5% in overall income despite sharp declines in federal funding. Notably, this increase did not result from a surge in private charitable giving; rather, nonprofits adapted by generating commercial revenue – raising service fees or introducing charges for services that had previously been free. While this shift towards market-based income allowed many organizations to survive, it marked a profound rupture in the sector's identity. Salamon, writing near the close of Reagan's presidency, warned of the consequences of this shift: "Conceivably, the more voluntary agencies must rely on service fees to survive, the more they will be forced to tailor their services to clientele who can pay for them and the less they will be able to focus on those in greatest need" (Salamon 1986). In fact, evidence of this shift in impact was already surfacing. The Urban Institute's *Nonprofit Sector Project Survey*, a

study conducted during 1986 on nonprofits located in sixteen states in the U.S., revealed that less than one-third of the nonprofits in the sample were focused on serving low-income or marginalized clientele (The Urban Institute, Salamon, and De Vita 1986)

In essence, the Reagan administration's devolutionary model not only restructured nonprofit funding streams—threatening their survival imperative—but also had the potential to undermine the sector's ability to uphold its foundational commitments to equity and access—undermining nonprofits' distinctiveness imperative.

Trump: An Increasingly Marketized Nonprofit Sector

While the trajectory of the nonprofit sector under the Trump administration remains in flux, early indicators suggest that Salamon's warnings are already materializing as pressing challenges for organizations across the nation. Direct service providers—nonprofits that provide frontline services to their constituents, typically vulnerable populations—have been among the first to experience the fallout from federal funding cuts (Inside Philanthropy 2024; Mason & Kim 2025). Specifically, organizations addressing critical issues such as homelessness and access to clean water have faced steep funding reductions. For instance, Campaign Against Hunger—a Brooklyn-based food pantry that serves meals to over a million New Yorkers—has lost $1.3 million in federal emergency grants, significantly jeopardizing its capacity to serve at-risk communities (Maldonado 2025).

Education, too, has come under considerable strain. In alignment with efforts to "return authority over education to the states" and halt funding advancing DEI, the federal government has proposed eliminating the Department of Education altogether (Orders 2025). Such measures threaten to destabilize public education systems nationwide, including CPS. Given that CPS relies on federal contributions for 16% of its budget, it stands to lose over $1 billion should these proposals move forward. In response to these threats, the Illinois State

Board of Education issued a public statement reaffirming its commitment to equity: “Illinois will never waver in its commitment to helping every child from every community, background, socioeconomic status, gender, and race—consistent with federal and state laws and our values” (Eng 2025).

Nonetheless, as these developments continue to unfold, the capacity of institutions like CPS to remain faithful to their core missions is increasingly uncertain. The growing friction between federal support and organizational purpose raises pressing questions about the future of the nonprofit sector in contributing to American welfare, especially under Trump’s administration. This tension echoes conversations held by parents in K1C’s The Living Room illustrated in the beginning of this paper: how can organizations continue to provide essential support to under-resourced students and families in the face of shrinking public investment? In other words, how can nonprofits navigate the precarious balance between the imperative to survive and the responsibility to preserve their distinctive mission and values?

What remains missing in the current literature, therefore, is a first-hand understanding of how nonprofit leaders themselves are making sense of and responding to these shifting political and fiscal conditions on-the-ground. The following sections seek to address that gap by elevating the voices of those on the frontlines—senior leaders in Chicago-based nonprofits—as they navigate the real-time implications of Trump-era funding cuts. Through semi-structured interviews, the following research distills the two primary concerns of nonprofit organizations studied into two risks—legal risk and mission risk. It is through the mitigation of these two risks by way of diversifying funding, acknowledging state-level political and economic landscapes, and forging alliances that nonprofit organizations can sustain their operations while retaining mission fidelity: stay alive, stay true.

Interviews: Methodology

To capture real-time insights into how nonprofit leaders navigate and perceive the impact of shifting political and funding landscapes, this project employs semi-structured interviews as the primary method of data collection. Initial participants were identified through existing professional networks, followed by snowball sampling to recruit additional respondents representing nonprofit organizations of different scale and mission-purpose. This resulted in interviews with four entities in total. Three served as the focal points for my case studies, all of which were 501(c)(3) tax-exempt organizations: Kids First Chicago (education advocacy), The Civic Committee at The Commercial Club of Chicago (membership business and social welfare organization), and Professional Theatre Youth and Dance Company (arts education). All three nonprofits target similar demographics—namely Black and Brown communities in the South and West Side of Chicago. Finally, an interview with Christa Velasquez, Lecturer of Nonprofit Management at The University of Chicago, has been used to supplement overarching concepts and arguments relating to nonprofit strategy amid volatility throughout the case studies.

Two key limitations should be noted. First, the geographic scope is limited to Chicago-based organizations. While this constrains the generalizability of findings, Chicago's location within a blue state with comparatively strong philanthropic infrastructure offers a valuable lens into the socio-systemic conditions that can enable both organizational survival and mission fidelity during periods of funding disruption (Fidelity Charitable 2023). Second, all three organizations studied are 501(c)(3) organizations and do not receive federal funding. Although the original intention was to include organizations directly receiving federal grants, time constraints of the project limited outreach to that cohort. Nonetheless, the selected organizations were intermediaries, as they maintain close partnerships with federally-funded entities such as CPS, providing dual insights. Not only did they reveal the cascading effects

of federal funding cuts across the broader nonprofit ecosystem, but also the significance of intermediaries as independently-funded, yet well-connected organizations.

The sectoral scope of this study centers on programs relating to education, arts accessibility, and workforce development—core thematic areas of the three nonprofits under examination. This offers relevant insight considering how these areas have been severely sidelined funding-wise by the Trump administration (Orders 2025; Veltman 2025).

Qualitative Interview Data Analysis with MAXQDA

To gain a macro-understanding of the recurring themes throughout my interviews, I used MAXQDA, a qualitative data analysis software, to code my transcripts. My methodology was primarily informed by coding techniques outlined in Johnny Saldaña's *The Coding Manual for Qualitative Researchers*, culminating into the application of two key coding methods for each transcript: Structural Coding and Values Coding (Saldaña 2015).

Structural coding is a form of "question-based coding" – the categorization of "comparable segments' commonalities, differences, and relationships" through a conceptual phrase pertaining to the central research question or topic of inquiry (Saldaña 2015). Adopting this approach allowed me to identify emerging patterns in the systemic effects of Trump's executive order on nonprofit organizations, ultimately consolidating such themes into tangible codes. Examples include identifying key funding areas that were impacted ("Education," "Business and Workforce Development," "Transportation," etc.), and the degree to which funding changes impacted respective nonprofit organizations ("Direct" vs. "Indirect" Impact).

However, to gain a more intimate understanding of the personal perspectives and responses of the interviewees themselves, my final readthrough consisted of an additional layer of coding: Values Coding. Saldaña defines values coding as the process of capturing the

individual's attitude and beliefs: whereas attitude refers to the "evaluative, affective reactions," beliefs are the grounds in which these attitudes are formed, which includes the "personal knowledge, experiences, opinions, prejudices, morals, and other interpretive perceptions of the social world" (Saldaña 2015). Reviewing the interview transcripts through this lens, I created multiple codes that reflected the attitudes and beliefs of the nonprofit leaders in my sample, such as their perceptions of the importance of the nonprofit organization in the wider community – "Promoting Racial Equity" and "Increasing Access" – and their responsive strategies towards the funding changes – "Hope and Resilience," "Collaboration," "Diversifying Funding Sources," and more. In effect, employing a values coding approach enabled me to gain a comprehensive overview of the key programmatic priorities, strategies, and concerns among the Chicago-based nonprofit leaders I interviewed.

Ultimately, the application of two coding systems onto my raw interview transcripts enabled me to generate the following visualization that present a macro-overview of key themes identified from my sample of nonprofit organizations:

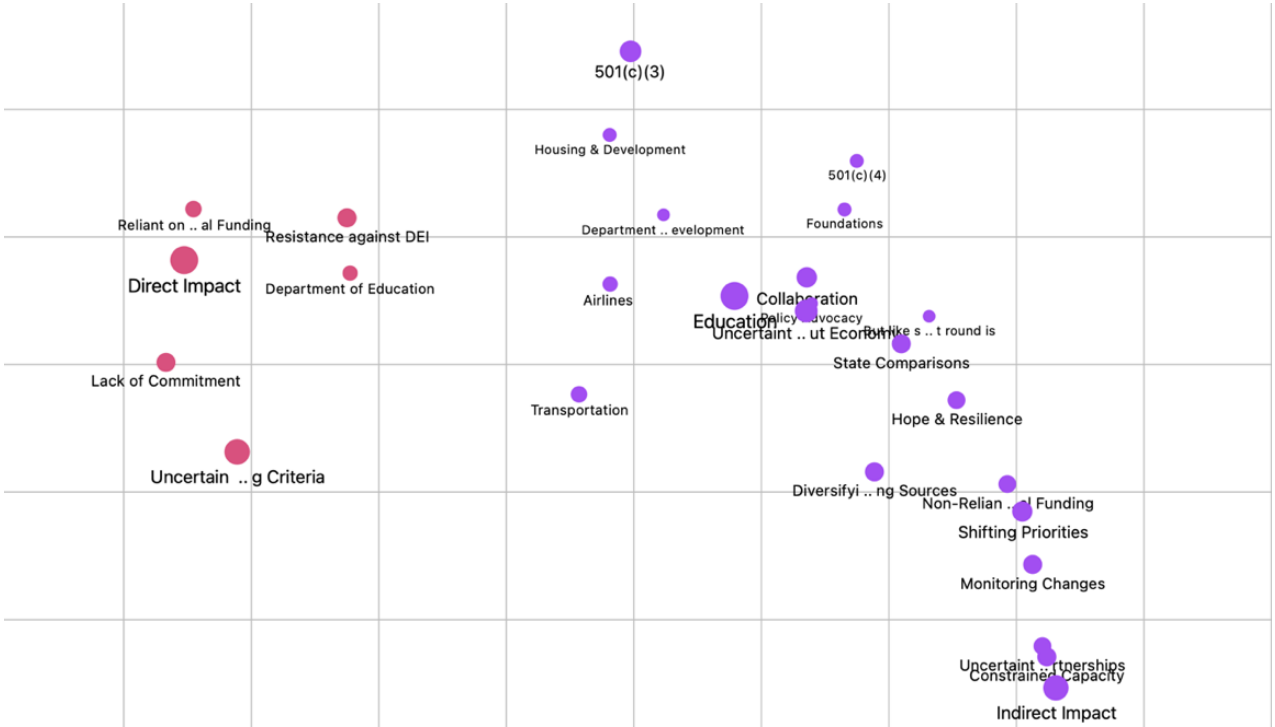

Figure 1 - MAXQDA-generated Code Map

Figure 1 presents a Code Map visualizing the relationships between key codes identified in my qualitative data analysis. Each dot on the map represents a code, with its size indicating how frequently the code appeared across the four interview transcripts. The codes that appear in tandem more often are positioned in closer proximity. For analytical clarity, I have grouped these codes into two coloured clusters: purple and red.

The purple cluster dominates the map, both in size and thematic density, with "Education" emerging as the most prominent code—represented by the largest dot. This is expected given that two of the three organizations interviewed are primarily education-focused. The centrality of this code reinforces Education as a critical focal point for the case studies that follow.

Surrounding "Education" are codes representing strategies nonprofits have used to navigate recent funding and political shifts, including "Policy Advocacy," "Collaboration," and "Hope and Resilience." Their proximity to "Education" suggests these strategies are most commonly employed by intermediary nonprofits working in or around the education sector. Closely linked is "Uncertainty about Economy," reflecting broader systemic anxieties, and "Foundations," highlighting the significant role of philanthropic entities in supporting these organizations.

Another key node in the purple cluster is "Indirect Impact," positioned at the bottom-right of the map. This code refers to organizations that are not directly reliant on federal funding and thus have not experienced direct fiscal consequences from funding cuts, therefore referring to the three intermediary 501(c)(3) organizations subject to this study. Regardless, they report facing challenges such as "Constrained Capacity" and "Uncertainty about Partnerships," pointing to the indirect operational pressures they must manage. Nearby

codes like “Shifting Priorities,” “Diversifying Funding Sources,” “Monitoring Changes,” and “Non-Reliant on Federal Funding” form a sub-cluster that reveals how these organizations are adapting by pursuing alternative revenue streams, maintaining vigilance, and redefining strategic priorities.

In contrast, the red cluster (positioned on the left side of the map) centers on “Direct Impact,” capturing organizations that are acutely affected by federal funding cuts. These include direct service providers, most notably CPS, which depends heavily on government funding and maintain close partnerships with the intermediary organizations in my sample. The surrounding codes—“Reliant on Federal Funding,” “Department of Education,” “Resistance against DEI,” “Lack of Commitment,” and “Uncertain Funding Criteria”—reflect the particular set of challenges these entities face. These range from unstable funding streams and shifting federal priorities to growing political resistance toward DEI initiatives. This cluster sharpens the contrast between intermediary and federally-funded organizations in the education sector. While the former focus on strategic adaptation and long-term resilience, the latter is navigating the immediate consequences of volatile funding and political uncertainty. In addition, the salience of DEI in this cluster also indicates its importance as a thematic priority within my analysis.

Building on these preliminary insights, the next section integrates perspectives from three organizations in my study: Kids First Chicago, The Civic Committee at The Commercial Club of Chicago, and the Professional Theatre and Dance Youth Academy (PTDYA). Drawing on their experiences and guided by Christa Velasquez’s conceptual framework, I examine how Trump-era federal funding cuts have produced ripple effects across the nonprofit landscape, impacting the capacity of intermediary organizations in achieving their impact and executing their programs, of which many entail collaboration with federally-funded entities.

From this analysis, *three core strategic responses* emerge:

1. The concurrent navigation of legal and mission risk as a means of adapting to an increasingly marketized nonprofit landscape;
2. A nuanced understanding of how Chicago's unique political and economic context shapes nonprofit survival and mission resilience; and
3. The rising importance of forging alliances as a forward-looking strategy for nonprofit sustainability.

These findings prompt a re-evaluation of the idea that the marketization of the nonprofit sector compromises mission fidelity by undermining financial stability through reduced federal support. While this dilemma is evident in some contexts, my analysis reveals that—for intermediary organizations not dependent on federal funding—the *survival imperative* and *distinctiveness imperative* can, in fact, be mutually reinforcing, rather than at odds. This subset of organizations ultimately offers a compelling model for preserving both operational and mission integrity in the face of uncertainty.

Interviews: Findings

Part I: Navigating Legal and Mission Risk – The Importance of Diversifying Funding

The marketization of the nonprofit sector has driven many nonprofits to reduce their reliance on government funding, instead turning to private entities for support. In the case of this study, K1C is funded through multi-year philanthropic grants from corporations and individual donors, PTDYA is primarily supported through service-based contracts, CPS schools allocate portions of their own budgets to procure arts programming, and the Civic Committee maintains its financial base through membership dues and individual contributions, consistent with its structure as a membership-based social welfare organization.

Thus, all three organizations in the sample present funding structures that are, in a way, indirect products of Reagan's "New Federalism," which sought to dismantle government paternalism in favor of private voluntarism. While the commodification of nonprofit services can potentially erode nonprofits' ability to impact the most underprivileged, the cases examined here suggest a more nuanced reality. Rather than compromising mission integrity, reliance on non-governmental funding can, in some instances, enhance it. These organizations demonstrate how financial independence from public funding can be strategically leveraged to maintain both operational sustainability and mission alignment within a market-oriented funding environment. In this context, private funding does not necessarily erode core values; instead, it can act as a stabilizing force, allowing nonprofits to remain adaptive while preserving their foundational commitments.

This nuance is captured in Kristin Pollock's articulation of two types of threats currently facing nonprofit organizations: *legal risk* and *mission risk*. According to Pollock, organizations dependent on federal funding are more exposed to legal risk, particularly in light of the Trump administration's proposed funding cuts, which threaten their capacity to continue operating. By contrast, K1C's reliance on private funding enables it to act as a "critical friend" to CPS—supporting initiatives such as the Black Student Success Plan and providing platforms for parent advocacy—without fear of immediate financial repercussions. While this shields K1C from legal risk, it does not fully insulate them from mission risk, particularly in an ideological climate hostile to DEI efforts. As Pollock notes, the challenge lies in resisting political pressure to self-censor or dilute their programming in anticipation of government disapproval: "If we change the way we operate, we would be doing what the Trump administration wants organizations like ours to do—over-compliance. We would be obeying before we need to obey."

However, legal risks are not confined solely to organizations that receive federal funding—their impacts reverberate throughout the wider nonprofit ecosystem. Many intermediary organizations operate in close collaboration with government-funded agencies to deliver mission-driven programs effectively. Consequently, reductions in federal funding can significantly hinder the ability of intermediaries to achieve their objectives, as their efforts are intrinsically tied to the operational capacity of direct-service providers. In this way, even those organizations that are not dependent on government funding remain vulnerable to the cascading consequences of *legal risk*, which may ultimately manifest as *mission risk*.

This dynamic is evident in the operations of PTDYA. Co-founder Ahava Silkey-Jones explains how, in response to federal funding uncertainty, PTDYA has strategically prioritized contracting with charter schools over traditional public schools. “We’ve been talking a lot about what it looks like to pour into our charter school relationships that are also public but have a little more flexibility around funding and a scope for innovation—which is where [PTDYA] fits in.” This diversification of funding was driven by two core considerations: the need to preserve program quality by avoiding overextension of staff and partnerships, and the financial instability of CPS, where arts programming is often deprioritized as a non-essential service. “When you’re seen as an extra, then funding gets diverted to what’s seen as essential,” Silkey-Jones notes. As a result, partnering with schools that have the fiscal capacity and risk appetite to invest in PTDYA became essential for organizational sustainability.

Furthermore, PTDYA has effectively minimized mission risk through their relatively non-politicized framing of its organizational purpose. “We are fortunate to have not been directly impacted yet, as DEI was never explicitly stated in our mission or vision,” notes Silkey-Jones. This strategic ambiguity reflects a broader national trend among education-focused nonprofit organizations, many of which have intentionally modified their language in

response to the rollback of DEI-related funding streams. For instance, Northwestern University—located on Chicago's North Side—has recently removed explicit references to "diversity, equity, and inclusion" from its website, in alignment with executive orders issued during the Trump administration (Xu 2025).

Although these efforts in funding redirection and DEI removal signals a reduction in PTDYA's demographic reach and impact, Silkey-Jones maintains that it does "dilute their commitment to their mission." This claim is reinforced when examining the demographic composition of charter schools in Chicago: 98.7% of charter school students are students of color, compared to 86.3% in district-run schools, and 86% of charter students are classified as low-income (Horizon Science Academy, 2024). These figures underscore that charter schools continue to serve some of the city's most marginalized communities. In this context, it can be argued that PTDYA's decision to deepen partnerships with charter institutions remains consistent with its core mission—to deliver creative opportunities to "Chicago's under-resourced schools and communities" (PTDYA, 2025). Consequently, PTDYA's strategic realignment represents not a departure from, but a recalibration of, its mission in response to shifting financial and political conditions.

Effectively, PTDYA's diversification of funding in response to funding fluctuations reflects a guiding principle emphasized by Christa Velasquez, a lecturer in impact investing at the University of Chicago: "No money, no mission." In a marketized welfare state such as the United States, Velasquez stresses the importance of diversifying funding sources: "nonprofits can't ignore their financials, because if they don't have the money, they can't do their work," she comments. Thus, it is imperative that organizations seek multiple revenue streams to not only avoid operational disruption, but to solidify their capacity to fulfil their mission—even if it is at a reduced scale. In this sense, mitigating legal risk becomes a prerequisite for safeguarding mission fidelity.

Ultimately, the interdependent relationship between legal risk and mission risk reveals important implications for nonprofits navigating political and fiscal instability. Rather than viewing operational survival and mission fidelity as inherently contradictory forces that organizations must balance, a close analysis of Silkey-Jones's strategic pivot, alongside Pollock's articulation of the two types of risks suggest that they can be mutually reinforcing. Given the independent funding structure of intermediary organizations like K1C and PTDYA, they are well-positioned to navigate the pressures of both legal and mission risk with strategic adaptation: diversifying funding streams and embracing operational flexibility allows them to preserve their mission without complete compromise.

Part II: State-Level Considerations – Chicago's Unique Political and Philanthropic Landscape

While PTDYA demonstrates the value of diversified revenue streams and strategic adaptability, it is important to recognize that such outcomes may not be easily replicated by intermediary nonprofit organizations nationwide. The ability of nonprofits to uphold both the survival and distinctiveness imperatives is shaped not only by how effectively they manage legal and mission risks, but also by the political and economic landscape of the state in which they operate.

For instance, Chicago—situated within a Democratic-leaning state—has generally resisted Trump-era funding rollbacks. This is evident at the political level: Mayor Brandon Johnson has publicly threatened legal action against the Trump administration in response to the proposed withholding of $3.5 million in federal funding and an additional $1.3 million towards Chicago Public Schools (Speilman, 2025). The threat followed the district's release of the Black Student Success Plan—a five-year initiative aimed at supporting historically marginalized Black communities and promoting social-emotional wellbeing. Despite

complaints quietly filed with the Department of Education by far-right groups in Virginia—described by K1C's Woods as an attempt to undermine the initiative—the plan was nonetheless launched in February 2025. This suggests that in environments where racial equity has historically been a priority, organizations like PTDYA may find they have more leverage to pivot toward new clientele without diluting their foundational commitments and compromising the demographics they were originally designed to serve.

Chicago's robust philanthropic infrastructure provides further insulation. According to Fidelity Charitable's "2023 Geography of Giving" report, Chicago donors recommended $634 million in total grants—ranking fourth nationally in philanthropic giving (Fidelity Charitable 2023). This culture of giving is exemplified by The MacArthur Foundation, headquartered in Chicago and recognized as one of the largest private foundations in the United States. In February 2025, they announced an increase in their annual payout rate from the IRS-mandated minimum of 5% to at least 6% over the next two years—an increase projected to yield an additional $150 million in funding. "This is a major crisis for our sector, and those of us who can do more should do more," stated John Palfrey, President of the MacArthur Foundation (Palfrey, 2025). Velasquez expands on this further: "If it's just for a short period, increasing foundation payouts to 7% or 8% won't jeopardize their sustainability, but it can provide critical support to nonprofits navigating financial precarity."

However, it is important to underscore that philanthropic funding cannot fully substitute the scale and stability of federal support. While states like Illinois—benefitting from a wealthier, blue-state tax base and relatively robust state-level philanthropy—may mitigate some funding gaps, this does not diminish the essential role that grants play in funding a significant number of nonprofits. A 2021 report found that approximately 30% of U.S. nonprofits filing IRS Form 990 reported receiving government grants, with over one-third of those relying on such funding for more than 50% of their total revenue (Clerkin et al.

2025). Moreover, the role of philanthropy differs fundamentally from that of government funding. Philanthropic capital is often directed toward fostering innovation, supporting pilot programs, and enabling organizations to experiment with novel, forward-thinking strategies. By contrast, government funding is crucial for sustaining essential services—such as public education, housing assistance, and healthcare—at scale (Chicago Community Trust 2025).

Moreover, philanthropic capital is susceptible to macroeconomic fluctuations. As Velasquez argues, "Nonprofits perform best when capital markets are strong." During periods of ideological contestation—such as the increasing politicization of DEI initiatives—corporate giving in particular becomes vulnerable. Pollock of K1C highlights that "the first to go are discretionary grants, such as those tied to Corporate Social Responsibility. In this atmosphere of uncertainty, corporations are tightening their investment belts." Thus, while Illinois is home to a relatively favorable philanthropic climate, it remains an insufficient safeguard against the broader legal and political risks currently confronting the sector.

Finally, economic downturns pose a dual threat to the nonprofit sector—jeopardizing not only financial sustainability, but also the ability to achieve mission-related outcomes. Erika Poethig, Vice President of Philanthropy and Strategy at the Civic Committee of the Commercial Club of Chicago, highlights this tension: "We are closely monitoring how Trump's tariffs are impacting not only our members' capacity for social impact work, but also the broader economic stability of the region. Our hiring initiatives aim to support employment access for residents on the South and West Sides. But if the economy contracts and jobs disappear, these efforts are undercut at their foundation." The implications of Trump's tariff increases are particularly acute for nonprofits that rely on imported medical supplies, food, and equipment. These disruptions in supply chains—coupled with rising costs—cannot be fully offset by philanthropic grants (Lindsay, 2025). As a result, even well-intentioned interventions are compromised.

In effect, while the impact of these macroeconomic shifts is still unfolding, it is already evident that their effects vary across states—shaped by differing levels of political support and philanthropic infrastructure—which in turn influence not only nonprofits' ability to ensure *organizational survival*, but also their capacity to fulfill their *mission purpose* in a meaningful and sustainable way.

Part III: Looking Ahead – The Importance of Forging Alliances for Nonprofit Sustainability

However, organizations in this study are acutely aware that Chicago's favorable philanthropic and political support are contingent, particularly given the volatility of the Trump administration. In light of this heightened policy instability, forging strategic alliances with peer nonprofits has emerged as a critical strategy for nonprofit sustainability across the cases analyzed.

At one level, alliances serve as a mechanism for monitoring policy shifts and exchanging critical information at both the federal and state levels. Poethig articulates how coalition-building has become central to strategic planning. She explains that "there's this open question about whether the Trump administration will follow through" on proposed federal funding changes. In response, her organization remains "very engaged in discussions, trying to navigate and understand" the evolving policy landscape, including through coordinated calls with "sister organizations to understand how they're navigating the same questions and issues." Such inter-organizational collaboration enables nonprofits to remain informed, agile, and capable of upholding mission alignment during periods of political flux.

Beyond knowledge exchange, alliances have become increasingly necessary for ensuring funding diversification, especially amid declining government support. As Ahava from PTDYA observes, "in really hard times, there's not enough funding for us to stand on our own," necessitating a move towards resource-sharing and joint programming. This ethos

of financial resilience and collaboration is further echoed across the philanthropic sector. Palfrey has publicly urged foundations to "stand together on a series of very important bedrock principles, and do so with linked arms," positioning collective action as both a moral stance and strategic necessity (Smith, 2025). In February, this call to action materialized in a public solidarity campaign launched by the MacArthur Foundation in partnership with the Freedom Together Foundation and the McKnight Foundation—an initiative that has since garnered support from over 300 organizations nationwide (Wolfe, 2025). Thus, collaboration becomes not only a pragmatic response to resource scarcity, but also an act of collective resistance aimed at protecting the sector's mission and long-term viability.

Crucially, alliance-building extends beyond supporting the internal operations of nonprofit organizations; it also encompasses engagement with the communities they serve. As Pollock from K1C explains, organizational responses to federal funding changes involve "stewarding the facts, and educating parents on what [those changes] could potentially mean for their livelihoods." By cultivating trust with their clients, K1C has fostered solidarity not only within the nonprofit sector, but also beyond. Pollock states that their intimate connections with the local community have placed them "in a stronger position to advocate for increased state funding for education."

Taken together, forging alliances as a forward-looking strategy has the potential to previous concerns regarding the relationship between diversifying funding and uneven political and economic conditions at the state-level. For intermediary organizations in particular—whose relative independence from federal funding affords them greater strategic flexibility—alliances present a unique opportunity to lead in cultivating sector-wide resilience. The experiences of the Civic Committee, PTDYA, and K1C, along with the MacArthur Foundation's recent solidarity campaign, collectively illustrate how such collaborative infrastructure can bolster both financial stability and mission fidelity.

Conclusion

The Trump administration's sweeping funding suspensions have intensified the existential dilemmas facing 501(c)(3) organizations. Current executive orders present historical parallels with the Reagan-era's "New Federalism," which involved the marketization of the nonprofit sector to dismantle government paternalism and promote state-level, private voluntarism. Yet, this political devolution, in actuality, led to the heightened adoption of commercial-based revenue, turning to private entities for funding and charging for their services. This shift raised concerns regarding the capacity of nonprofits to continue maintaining their foundational commitments to serving those most in need, while attempting to stay financially afloat within a marketized landscape—an issue exacerbated today under the Trump administration.

However, this study finds that intermediary nonprofits—those not directly reliant on federal funding but closely linked to organizations that are—possess a distinctive strategic advantage. Their financial independence and operational flexibility position them to navigate external pressures more effectively. While their success remains contingent on the strength of political support and philanthropic ecosystems at the state level, selecting Chicago as a focal point for the case studies demonstrates that when state-level advantages, diversified revenue, and resource sharing are recognised and leveraged effectively, intermediary nonprofits can achieve a sustainable balance between mission integrity and financial viability.

Ultimately, three core conditions emerge as essential for nonprofit survival and mission fidelity during economic and political volatility: (1) active legal and mission risk management through funding diversification, (2) a nuanced understanding of local political and philanthropic contexts, and (3) the forging of strategic alliances within and beyond the

sector. This study argues that intermediaries, if able to effectively position themselves within these conditions—and leverage their independent funding structures— can play a central, unifying role in the broader nonprofit landscape. By staying agile, well-informed, and collaborative, intermediary organizations illustrate that it is possible to simultaneously "stay alive" and "stay true" to their mission.

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