Lewis Faulk*, Mirae Kim and Heather MacIndoe

Bounded Rationality: The Role of Knowledge of Regulations in Nonprofits' Engagement in Policy Advocacy

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Abstract: This study examines the dynamics of nonprofit engagement in advocacy, lobbying, and civic activities through the lens of bounded rationality. Although 501(c)(3) nonprofits are legally permitted to advocate and lobby on behalf of their constituents and the sector, only 31 % reported engaging in such activities over the past five years. To better understand this relatively low level of involvement, our analysis first investigates nonprofits' understanding of federal and Internal Revenue Service (IRS) regulations governing permissible activities, as well as the factors that shape their knowledge of these rules. Second, we analyze the relationship between regulatory knowledge and policy engagement, controlling for organizational and contextual variables that are informed by the existing literature. Our findings show that, while internal and external factors can mitigate the constraints imposed by bounded rationality, knowledge of the rules is significantly associated with policy engagement. We conclude that limited understanding of the legal parameters surrounding 501(c)(3) advocacy and lobbying remains a significant barrier to nonprofit policy engagement.

Keywords: bounded rationality; nonprofit law; advocacy; public policy; regulatory knowledge

1 Introduction

Regardless of their specific mission – whether religious, artistic, educational, charitable, scientific, recreational, humanitarian, community-oriented, environmental,

***Corresponding author: Lewis Faulk**, School of Public Affairs, Department of Public Administration and Policy, American University, Washington, DC, USA, E-mail: faulk@american.edu. https://orcid.org/0000-0002-8053-2335
Mirae Kim, Schar School of Policy and Government, George Mason University, Arlington, VA, USA. https://orcid.org/0000-0002-4680-9812
Heather MacIndoe, McCormack Graduate School of Policy and Global Studies, Department of Public Policy and Public Affairs, University of Massachusetts Boston, Boston, MA, USA. https://orcid.org/0000-0002-5188-6839

civil rights-focused, or otherwise – 501(c)(3) public charities are legally allowed to advocate and lobby on behalf of their constituents and the broader nonprofit sector. Since they are equipped with extensive knowledge of the communities they serve, charitable nonprofits are uniquely positioned to engage effectively in advocacy and civic activities. Such engagement can strengthen civil society, address systemic inequalities and structural racism, and promote social well-being at local, regional, and national levels (Boris and Maronick 2012; LeRoux 2009). Furthermore, nonprofits play a vital role in advocating for policies that sustain and enhance the legal and regulatory environment, thereby ensuring continued societal and economic contributions from the nonprofit sector.

However, a recent national survey (Faulk et al. 2023) revealed that only 31 % of public charities reported engaging in advocacy and lobbying activities within the past five years – less than half the proportion identified in a comparable study conducted 20 years earlier (Bass et al. 2007). One of the primary challenges limiting nonprofit involvement in public affairs is inadequate knowledge of the regulations governing advocacy and lobbying activities, as highlighted by Berry (2003, 2005), and Bass et al. (2007). Despite ongoing efforts to enhance nonprofits' understanding of these regulations, Faulk et al. (2023) found that this gap persists and has even widened. That is, today's nonprofit organizations are significantly less aware of the advocacy and lobbying activities that they are legally permitted to undertake than their counterparts two decades ago.

Interestingly, today's nonprofit leaders demonstrate greater awareness of activities they *cannot* do. In 2022, 98 % of 501(c)(3) nonprofit leaders correctly understood that using government funds to lobby Congress was prohibited by the IRS, and 91 % knew that endorsing candidates for elected office was similarly forbidden. These figures reflect an improvement compared to 2000, when awareness levels were 94 % and 87 %, respectively. However, overall knowledge of advocacy regulations, and especially of what is permitted, has declined. Nonprofit leaders in 2000 correctly answered an average of 73 % of questions about legal regulations on the Strengthening Nonprofit Advocacy Project survey (Bass et al. 2007), whereas in 2022, the average score dropped to 54 % on the same set of questions (Faulk et al. 2023). Given the roles charitable nonprofits play in representing marginalized populations, the decline in their legal knowledge and democratic participation is especially concerning. This study empirically examines variations in legal knowledge among U.S. nonprofits and how this knowledge influences their engagement in policy activities.

We contribute to the literature in several ways. First, we present a theoretical rationale for the importance of regulatory knowledge to enable nonprofits' strategic use of mission-related advocacy and lobbying. Drawing on existing theory and research, we develop and test a model of organizational and contextual factors that influence nonprofit leaders' legal knowledge. We then analyze how this knowledge

relates to organizations' advocacy and democratic participation, controlling for other known drivers of organizational advocacy. Our findings strongly support the link between leaders' understanding of permissible activities and their organizations' policy engagement, underscoring the critical role of nonprofit infrastructure and public policy strategies in clarifying advocacy regulations. We discuss the contributions of this study to nonprofit advocacy research and offer practical recommendations for nonprofit practitioners and policymakers to help restore legal knowledge and to promote greater nonprofit participation in public policy and democratic representation.

2 Nonprofit Regulations, Policy Advocacy, and Lobbying

Nonprofits operate under a complex set of rules governing their lobbying activities at the federal, state, and local levels, including requirements for registration and reporting (Lott et al. 2016; Prentice 2018). These regulations vary depending on context – for instance, organizations that receive government funding are prohibited from using those funds for lobbying. Historically, there have been efforts to further restrict nonprofit lobbying and policy advocacy. Notable examples include proposed revisions to the federal OMB Circular A-122 in 1983 and the "Istook Amendment" in the 1996 H.R. 2127 House Appropriations Bill, both of which sought to expand limits on policy-related communications by federal grantees, even when privately funded (Cox and McCloskey 1996).

Due to the complexity of lobbying regulations and efforts to restrict nonprofit advocacy, studies in the early 2000s showed that nonprofit leaders often lacked a clear understanding of what activities are legally allowed (Bass et al. 2007; Berry 2003, 2005). This confusion led to consequences, including nonprofit hesitancy to engage in advocacy out of fear that it might jeopardize their tax-exempt status (Berry 2003). Other studies supported those findings, showing that nonprofits that limited their advocacy cited concerns – often unfounded – about violating tax-exempt rules (Pekkanen and Smith 2014).

Importantly, 501(c)(3) organizations are legally permitted to lobby federal, state, and local legislative bodies within defined limits. The IRS provides two options for organizations to determine their limits: the substantial part test and the expenditure test. The substantial part test evaluates whether the time, effort, and financial resources used for lobbying makes up a substantial portion of a nonprofit's activities (IRS 2024c). However, the term "substantial" is not clearly defined by the IRS or consistently legally interpreted. Instead, substantial lobbying is assessed on a

subjective "facts and circumstances" basis, which creates uncertainty for nonprofits trying to gauge compliance (National Council of Nonprofits 2024).

The alternative "expenditure" test – also known as the 501(h) or H election – offers a clearer and more predictable standard by setting specific dollar limits on lobbying based on an organization's budget, allowing lobbying expenditures of up to $1 million for the largest nonprofits (IRS 2024b). Private foundations follow different rules, and churches must rely on the substantial part test. For other 501(c)(3) organizations, however, the H election offers several advantages: greater allowable lobbying expenditures, no restrictions on volunteer lobbying, and reduced risk of losing tax-exempt status for occasional overspending (National Council of Nonprofits 2024; Berger 2013). Despite these benefits, fewer than 2 % of public charities that file IRS Form 990 utilize the H election (Faulk et al. 2023). Moreover, less than half (45 %) know they can engage in general policy advocacy, and only 32 % are aware they can support or oppose specific federal legislation (Faulk et al. 2023).

3 The Empirical Record on Nonprofit Knowledge and Advocacy

Prior studies (e.g. Berry 2003, 2005; Bass et al. 2007) have identified nonprofit executive directors' lack of legal knowledge as a barrier to advocacy and lobbying engagement. Although this limitation has been widely acknowledged in the literature, there has been limited empirical testing of the direct relationship between leaders' legal knowledge and their organizations' advocacy or broader public engagement (Lu 2018b). While evidence suggests a positive link between knowledge of legal rules and advocacy involvement, this relationship remains largely untested in robust, generalizable studies (Lu 2018a, 2018b). For example, Mellinger (2014), using a small convenience sample from one state, found that greater legal knowledge was associated with higher levels of community advocacy. Similarly, Boris et al. (2014) noted that uncertainty about legal constraints can significantly deter nonprofits from engaging in advocacy. However, the connection between legal knowledge and policy engagement has yet to be thoroughly evaluated within a strong theoretical framework or through empirical models that account for other influential and potentially confounding factors.

A range of factors can influence both an organization's knowledge of advocacy regulations and its level of engagement. As Berry (2005) notes, two key considerations are (1) whether public policy significantly affects the organization's work and who they serve, and (2) the organization's overall capacity. Mission relevance is typically captured using subsector variables in the literature (e.g. Berry 2005; Suárez and Hwang

2008). Capacity, often linked to organizational size, also plays a crucial role. Smaller nonprofits tend to have less access to knowledge, resources, and tools – such as IT systems, communication infrastructure, and in-house expertise – that help navigate legal and administrative barriers (Riegel and Mumford 2022).

Beyond size, other organizational characteristics – such as professionalization and internal administrative structures – can enhance legal knowledge and facilitate strategic advocacy (LeRoux and Goerdel 2009; Mosley 2011). While professionalization alone may orient organizations more toward direct service delivery, the adoption of formal policies and procedures (i.e. "organizational bureaucratization") often signals greater legal competence and creates formal pathways for engaging in legally permissible advocacy (LeRoux and Goerdel 2009). Having staff with legal or government relations expertise further supports advocacy efforts and regulatory understanding (LeRoux and Goerdel 2009; Mosley 2011). Additionally, organizations that have opted into the 501(h) election tend to demonstrate greater knowledge of lobbying rules (Bass et al. 2007; Berry 2003, 2005).

Overall, the relationship between leadership knowledge and advocacy engagement has been acknowledged and examined to a limited extent. However, there are still important theoretical and empirical gaps to understand this relationship more fully, which we focus on in this study.

4 Theoretical Perspectives: The Role of Legal Knowledge in Organizational Advocacy

This analysis addresses theoretical gaps in understanding the relationship between regulatory knowledge and organizational action. We draw on the theory of bounded rationality (Simon 1956, 1979) to explain how nonprofit leaders' varying levels of knowledge about complex advocacy and lobbying regulations constrain their ability to fully comprehend and navigate these environments. This uncertainty and complexity create challenges in decision-making. As Byron (1998, 71) observes, the bounds of rationality include limitations in our knowledge of potential outcomes, our uncertainty about how we will value those outcomes, and our inability to consider all possible alternatives in any given decision.

Under bounded rationality, managers operate in conditions of complexity and uncertainty. According to Simon (1979), they may respond in one of two ways: (1) by actively seeking information to clarify their options, or (2) by "satisficing" – selecting a satisfactory option that allows them to stop searching for further information. Because information gathering is often costly (Commons 1931; Williamson 1973), organizations tend to rely on institutions, norms, or heuristics to help managers

conclude their search once an acceptable option is found, regardless of their actual level of knowledge.

This theory offers insights into how organizations can overcome barriers to action caused by bounded rationality. The first is by increasing the knowledge and expertise of organizational leaders. When leaders better understand complex regulatory environments – through education, experience, or targeted training – they are more capable of navigating uncertainty and are less deterred from engaging in policy advocacy. Although greater knowledge does not guarantee action, it lowers the cognitive and procedural barriers that often inhibit it. By expanding leaders' understanding, their decision-making becomes less constrained, allowing for more informed and strategic choices.

H1: Controlling for other factors, nonprofit leaders' extent of knowledge of regulations will positively relate to levels of advocacy, lobbying, and civic affairs.

Organizations can also reduce the barriers imposed by bounded rationality – particularly those related to leaders' limited knowledge of regulatory environments – through institutional pathways. One such mechanism is the development of organizational structures and norms that evolve over time (Simon 1979; Williamson 1973), such as internal practices that support advocacy-related actions. When these norms either implicitly encourage or explicitly incorporate advocacy processes, they help offset the limitations of individual leaders' legal knowledge. In other words, such structures can enable satisficing behavior that includes advocacy decisions, even when the leader may otherwise be uncertain about such actions. As a result, institutionalized practices and advocacy-supportive climates can facilitate engagement in advocacy, even when current leaders lack deep regulatory expertise.

In this study, we assess the presence of such preexisting advocacy structures using multiple indicators. First, we use IRS Form 990 data to identify organizations that have taken the 501(h) election, which signals engagement with defined lobbying expenditure rules. Second, we rely on survey data indicating whether someone in the organization is responsible for government relations – another marker of institutional advocacy infrastructure. Finally, we use an index of formal administrative policies and procedures to measure internal legal and administrative infrastructure more broadly. As discussed earlier and by LeRoux and Goerdel (2009), organizational bureaucratization – the adoption of formal procedures even outside the advocacy domain – reflects a higher level of institutional expertise. Such structures can foster norms that support legally permissible advocacy efforts.

These measures are expected to be positively associated with leaders' general knowledge of nonprofit regulations. Moreover, even when controlling for leaders'

knowledge, higher levels of institutional expertise, structures, and norms can lower the transaction costs associated with determining whether advocacy actions are appropriate. In doing so, they create a context in which satisficing behavior supports – rather than hinders – advocacy engagement. From a bounded rationality perspective, these institutional factors can thus promote greater levels of advocacy and lobbying, even when leaders lack in-depth legal knowledge.

H2a: Institutional processes for advocacy and lobbying will be positively related to leaders' knowledge of regulations.

H2b: Regardless of (controlling for) nonprofit leaders' knowledge of regulations, institutional processes for advocacy and lobbying will positively relate to levels of advocacy, lobbying, and civic affairs.

External influences can also help organizations overcome the barriers posed by bounded rationality. Chen (2020), for example, illustrates how external actors can guide individuals through complex systems, such as human service organizations assisting clients with insurance exchanges, even when those individuals lack full understanding. Similarly, nonprofit organizations can rely on external actors to help navigate regulatory complexity by offering satisficing choices through inter-organizational norms and deference to specialized expertise.

In the context of nonprofit advocacy, external relationships – such as collaborations with government agencies through funding, working groups, and joint initiatives – can reduce the costs of identifying and deciding to act on advocacy opportunities. These interactions foster shared knowledge and lower transaction costs associated with engagement (LeRoux and Goerdel 2009). This effect is especially pronounced when nonprofits are part of policy-focused networks. For instance, coalitions and associations can support advocacy by issuing calls to action, drafting communications, and coordinating joint efforts. Indeed, access to and interactions with government officials are consistently linked to more frequent and effective advocacy by nonprofits (Berry 2003; Lu 2018a, 2018b; Riegel and Mumford 2022). Moreover, the existing literature shows a positive relationship between government funding and nonprofit advocacy, aligning with theories suggesting that funding relationships can increase nonprofits' contact with and influence over government actors (Lu 2018a).

We expect these external relationships to be positively associated with leaders' knowledge, given the informational benefits that such interactions offer. Yet, from a bounded rationality perspective, we also anticipate that organizations engaged with government and coalitions will exhibit higher levels of advocacy and lobbying, even

when controlling for leaders' knowledge, because these external networks reduce the decision-making burden and enable satisficing behavior.

H3a: External organizational relationships with government, coalitions, and associations will be positively related to leaders' knowledge of regulations.

H3b: Regardless of (controlling for) nonprofit leaders' knowledge of regulations, external organizational relationships with government, coalitions, and associations will positively relate to levels of advocacy, lobbying, and civic affairs.

5 Methods

5.1 Data

The data for this study come from a 2022 survey of nonprofits in the U.S. (Faulk et al. 2023). The sample is representative of 501(c)(3) public charities with revenues of at least $50,000, excluding hospitals and institutions of higher education. The survey was fielded electronically by the survey research firm SSRS in the fall of 2022. Surveys were addressed to organizations' executive directors, presidents, CEOs, or equivalent representatives and included a $2 e-gift card pre-incentive and post-incentives of a $10 e-gift card and entry of the respondent's organization into a $1,000 donation drawing. Data from the surveys were combined with financial and contextual information from the organizations' IRS Form 990 from the National Center for Charitable Statistics (2018 NCCS Core Files) and the American Community Survey 2018 5-year estimates of demographic and community characteristics, based on organizations' zip codes. Because response rates to surveys at the time of implementation (2022) were known to be lower than pre-2020, a very large stratified random sample of over 20,000 organizations was drawn, stratified by organization size categories (described in the variables section), National Taxonomy of Exempt Entities (NTEE A-Z) subsector categories, and state.

The survey achieved a response rate of just over 10 % of organizations with verifiable email contact information. The sample used for this analysis includes 2,282 organizations with fully-completed surveys. A nonresponse analysis revealed a slight overrepresentation of arts organizations and those located in the Midwest, along with a slight underrepresentation of very large organizations with annual expenses over $10 million. To account for these minor discrepancies, the final dataset was weighted using a base weight to adjust for sample design, followed by adjustments for unknown eligibility and nonresponse. As a result, the analysis presented in this

study is representative of the U.S. 501(c)(3) public charity sector, excluding hospitals and higher education institutions.

5.2 Analytic Strategy

This study addresses two core research questions: (1) What organizational and environmental characteristics influence the level of legal knowledge that 501(c)(3) nonprofits possess regarding permissible policy and political activities? and (2) How does this legal understanding relate to nonprofits' participation in allowable policy and election-related work, controlling for other influencing factors? To explore these questions, we apply the theory of bounded rationality to assess how internal and external factors shape both leaders' regulatory knowledge and organizational advocacy. In particular, we examine the extent to which leaders' legal knowledge contributes to advocacy engagement, independent of other organizational and environmental influences.

5.2.1 Stage 1 Analysis

The first stage of the analysis develops an empirical model to explain variation in legal knowledge among U.S. nonprofits. We begin with a baseline model that includes general organizational and contextual characteristics: organizational size, age, subsector, Census region, state political leaning ("Red," "Blue," or "Purple"), geographic setting (urban, suburban, or rural), program scope (local, state/regional, national, or international), and whether programs target specific populations such as people of color or individuals and families in poverty.

We also incorporate community-level variables, including the proportion of residents in the organization's zip code who are low-income or non-White. These initial regressions allow us to identify patterns in legal knowledge across different types of organizations and communities, and to assess the extent of unexplained variation that may be addressed in later models.

In the final models of Stage 1, we incorporate variables representing external influences that may either constrain activities or enhance legal knowledge. These include membership in nonprofit associations and coalitions, interactions with government, and receipt of government funding. We also introduce internal organizational factors linked to strategic decisions, such as whether the organization has taken the 501(h) election, employs staff dedicated to government relations, and demonstrates greater administrative capacity and formal internal policies – referred to as organizational bureaucratization (LeRoux and Goerdel 2009).

As outlined in our hypotheses, we expect these external and internal factors to be positively associated with legal knowledge. This expectation reflects the role of external exposure to regulatory information and the presence of staff and organizational practices that foster, maintain, and reinforce understanding of advocacy and lobbying rules.

5.2.2 Stage 2 Analysis

The second stage of analysis builds on the empirical models developed in Stage 1 to examine variation in actual engagement in legally permissible policy and election-related activities among 501(c)(3) organizations across the U.S. This stage tests key internal and external factors hypothesized to help organizations overcome the decision-making barriers imposed by bounded rationality. Importantly, it incorporates the core outcome from Stage 1 – leaders' legal knowledge – as an independent variable. This allows us to both control for knowledge levels when assessing other factors and evaluate the direct impact of legal understanding on engagement in permissible advocacy activities.

These models are grounded in the premise that leaders' legal knowledge is a critical determinant of how constrained an organization is in its ability to participate in advocacy. Organizations led by individuals with stronger regulatory knowledge are more likely to act strategically to advance their missions through policy engagement. Understanding this relationship is essential, as advocacy and election-related work not only support organizational missions but also offer a means to represent community interests in the policymaking process and to promote democratic participation, particularly among historically underrepresented groups.

6 Variables

6.1 Dependent Variables

In stage 1 of the analysis, the dependent variable is an index of organizations' *Legal/Regulation Knowledge* based on 10 "yes or no" questions in the survey. Eight of the 10 questions replicate legal and regulatory questions from the 2000 Strengthening Nonprofit Advocacy Project (SNAP) survey (Bass et al. 2007). The remaining two questions extend the SNAP items to include questions on the permissibility of 501(c)(3) public charities to (1) "Work closely with a 501(c)4 social welfare organization for advocacy purposes," and (2) "Participate in nonpartisan voter engagement and education." The statement prefaced this set of questions: "There is a good deal of confusion about whether various activities by nonprofits relating to the

policymaking process are permissible. Based on your understanding, can your organization," followed by each of the 10 items in the question. The variable used in the analysis is an index "score" between 0 and 1, reflecting the proportion of questions answered correctly. The weighted mean of this knowledge score is 0.531 with a linearized standard error of 0.006 (with a 95 % confidence interval between 0.519 and 0.543), and the median knowledge score for the sample is 0.5, indicating that the average and median nonprofit in the U.S. answered half the questions correctly. The full set of questions included in this index score, along with the correct answers for each i.e. is shown in Table 1.

In stage 2 of the analysis, we use a series of categorical (0–1) dependent variables to measure different levels of nonprofit engagement in permissible policy and election activities, which were collected in the survey. The first dependent variable in stage 2 is *Advocacy/Lobbying Engagement*, indicating whether organizations reported engaging "in any [lobbying/advocacy] efforts on behalf of your constituents or your organization" in the prior five years when given literature-based definitions of lobbying ("taking a position on specific legislation (local, state, or federal level) and communicating this position to legislators or their staff, either directly or indirectly") and/or advocacy ("attempting to influence government policy at the local, state, or federal level. This may include lobbying, but it also involves many educational and information sharing activities, including sponsoring events to raise public awareness of an issue, conducting research, educating the public about policies that affect your organization, or participating in coalitions.").

We also include a second advocacy/lobbying engagement variable, *Policy Participators* (following Bass et al. 2007), which used answers to questions asked

Table 1: Legal/regulation knowledge questions.

Based on your understanding, can your organization…	**Correct answer**
1. Support or oppose federal legislation under current IRS regulations	*Yes*
2. Take a policy position without reference to a specific bill under current regulations	*Yes*
3. Support or oppose federal regulations	*Yes*
4. Lobby if part of your budget comes from federal funds	*Yes*
5. Use government funds to lobby congress	*No*
6. Endorse a candidate for elected office	*No*
7. Talk to elected public officials about public policy matters	*Yes*
8. Sponsor a forum or candidate debate for elected office	*Yes*
9. Work closely with a 501(c)4 social welfare organization for advocacy purposes (including having a sister 501(c)4 organization)	*Yes*
10. Participate in nonpartisan voter engagement and education	*Yes*

earlier in the survey that replicated 2000 SNAP survey, and specifically identified whether organizations reported (1) testifying in to a government body; (2) encouraging members to write, call, fax or email policymakers; or (3) lobbying for or against a legislative proposal. If they indicated that they engaged in any of those questions, they were coded 1, and 0 if they did not engage in all three. A third dependent variable in stage 2, *Voter Engagement,* was coded 1 if organizations reported in the survey that their organization "engaged in or facilitated its employees, volunteers, board members or constituents to conduct or participate in any of the following activities in the last 12 months:" (1) conducting nonpartisan voter registration drives, (2) participating in ballot initiatives, (3) providing voter education about issues, or (4) participating in nonpartisan get-out-the-vote efforts. A final dependent variable in stage 2, *Increased Advocacy,* identifies organizations that responded, "moderate increase" or "large increase" to the question, "In the last five to 10 years, to what extent has your organization changed its level of advocacy?" In other words, this variable is an indicator of whether organizations' current level of advocacy is greater than in the past, in which case it is coded 1.

6.2 Independent Variables

In the second stage of the analysis, the *Legal/Regulation Knowledge* score variable is used as the main independent variable to test our first hypothesis that nonprofit leaders' knowledge matters when directing organizations toward or away from advocacy and public engagement, controlling for other factors that influence organizations' levels of engagement, as discussed in our literature review. All other independent variables are used in both stages of the analysis and follow previous empirical studies to account for important factors that could relate to knowledge, advocacy, and public engagement.

6.3 Organizational Factors

Our first set of organizational factors measures levels of professionalization and formalization, which are expected to relate to both levels of leaders' knowledge and levels of public engagement in the full second-stage models. *H-elector* is a measure (0–1) of whether the organization filed under 501(h) in their most recent IRS Form 990. *Government relations staff* is a measure (0–1) of whether the organization has identified anyone in the organization as being responsible for government relations. Finally, *Organizational bureaucratization* (LeRoux and Goerdel 2009; MacIndoe and Beaton 2019) is an additive index (ranging 0 to 11) of the presence of organizational

administrative practices, including having computerized financial records, computerized client/member/program records, a written conflict of interest policy, a written fundraising plan, a written social media policy, a written strategic plan, a formal gift acceptance policy, an annual report produced within the last year, an annual audited financial statement, an evaluation or assessment of program outcomes, or an advisory board that is separate from the board of directors.

6.4 Government Relationships

We include two variables measuring relationships with the government, which are again expected to be positively related to knowledge and advocacy levels in our models. The first, *Government interactions*, is a dichotomous (0–1) indicator of whether the organization had any level of interaction with government officials in the local, state, or federal government. Second, we also include a dichotomous indicator of receiving *Government funding*, coded as 1 for organizations in the survey that reported receiving any government funding in 2022.

6.5 Association and Coalition Membership

We measure other external relationships using indicators of membership in state and national associations of nonprofits, which are also expected to positively relate with knowledge and policy engagement. *State association membership* measures whether the organization was a member of a statewide association of nonprofits, and *National association membership* measures whether the organization was a member of a nationwide association of nonprofits. These formal memberships in state and national associations of nonprofits confer benefits that can impact organizations' knowledge and policy engagement, including access to resources, information, and events. Beyond these formal associations, we also include a measure of *Coalition affiliation*, an indicator of being affiliated with a local, state, or national coalition of nonprofits. This measure, separate from formal association membership captures the unique networking, knowledge sharing, and strategic opportunities within coalitions of organizations based on mission area, geographic interest, or policy domain and is also expected to positively relate to legal knowledge and policy engagement.

6.6 Program Factors

In addition to the organizational factors above, we include a set of variables on organizations' programs. First is a group of dummy variables for the organization's geographic scope of programs (with local scope as the reference group) *State/ Regional scope*, the nonprofit has a state or regional scope, *National scope,* the nonprofit has a national scope, *International scope*, the nonprofit has an international scope. Second, because organizations that focus on specific groups and societal needs play important roles in representing marginalized voices in communities and policymaking (LeRoux 2009; MacIndoe 2014; MacIndoe et al. 2024; Pekkanen and Smith 2014), we include a group of variables describing the demographic foci of organizations' programs and services. *Special population focus* measures whether the organization listed a specific demographic group as the focus of any of their programs (with having programs focused on the general public as the reference group), *POC focus* is whether the organization has any of its programs specifically focused on people of color, and *Poverty focus* indicates whether the organization has any of its programs specifically focused on individuals or families in poverty.

6.7 Organizational Controls

We include several controls that are commonly included in the empirical literature on nonprofit advocacy levels. These controls include organizational age (e.g. Buffardi et al. 2015; Child and Gronbjerg 2007), organizational size (e.g. Neumayr et al 2015; Nicholson-Crotty 2011; Riegel and Mumford 2022; Suárez and Hwang 2008), and nonprofit mission area, based on subsector (e.g. Dong et al. 2022; MacIndoe and Whalen 2013; Suárez and Hwang 2008). We control for organizational age with ln*(Age),* the natural logarithm of the organization's number of years since being recognized with federal tax exempt status (Suárez and Hwang 2008). *Organization size* is measured with a set of organizational size variables, based on annual expenses in their most recent IRS Form 990, with size *Organization size $100 K–$499 K* ($100,000-$499,999 in total expenses) in the most recent Form 990 prior to the survey, *Organization size $500 K–$999 K* ($500,000–$999,999 in total expenses), *Organization size $1M-$9.9 M* ($1 million-$9,999,999 in total expenses), and *Organization size $10 M* + ($10 million and above in total expenses), with the reference group of organizations in the smallest size category of below $100,000 in annual expenses. We control for organization mission area using five subsector categories, *Education, Health, Human Services,* and *Other*, with *Arts* as the reference group.

6.8 External Environment/Contextual Factors

We also include contextual variables to control for variation in organizations' environment, which has been shown to influence advocacy levels (Lu 2018b; MacIndoe and Beaton 2019). These contextual variables are relevant to understanding the contexts in which nonprofits may engage in policy more (or less). Because charities, conceptually, are important representatives of the demographic contexts they serve, patterns in knowledge and advocacy levels could lead to a more tailored understanding of where to focus support for organizations to learn advocacy rules and increase their representative role for their communities. We control for general geographic differences using U.S. Census regions, including the *South, West,* and *Northeast* Census regions, with the *Midwest* as the reference group. Because external political climate, such as a negative policy environment (Lu 2018b) or perceptions of political climate (MacIndoe and Beaton 2019), can influence organizations' involvement in advocacy levels, we include controls for political environment in the state, including *Red State 2020* (predominantly Republican) and *Blue State 2020* (predominantly Democrat), based on the Cook Partisan Voting Index of presidential elections in 2020, (Cook Political Report 2020), with *Purple* state as the reference group. Other contextual controls include whether the organization is in an *Urban, Suburban,* or *Rural* zip code, based on designations by the Federal Office of Rural Health Policy and National Center for Health Statistics, with location in an *Urban* zip code as the reference group. Because nonprofits have been shown to engage in greater levels of representation of communities in marginalized and disadvantaged populations (LeRoux 2009; MacIndoe et al. 2024), and since this representation function of nonprofit advocacy is an important underlying interest of this study, we also include variables *Poor population*, which is the proportion of the organization's zip code's population that is poor, according to the U.S. Census, American Community Survey 2018 5-year estimates, and *non-White population*, the proportion of the organization's zip code's population that is non-White, according to the U.S. Census, American Community Survey 2018 5-year estimates from Social Explorer (2019).

The weighted summary statistics for the full study variables are shown in Table 2.

7 Findings

7.1 Stage 1: Explaining Nonprofit Legal/Regulation Knowledge

As shown in stage 1 of the analysis in Table 3, regression 3 with full controls, we find significant support for hypotheses 2a and 3a regarding the role of internal and

Table 2: Weighted summary statistics.

	Mean	Linearized Std. Err.	[95 % conf. Interval]	
Legal/Regulation knowledge	0.531	0.006	0.519	0.543
Advocacy/Lobbying engagement	0.313	0.011	0.291	0.335
Policy participator	0.486	0.012	0.463	0.509
Voter engagement	0.141	0.008	0.124	0.158
Increased advocacy	0.198	0.010	0.179	0.217
H-elector	0.022	0.004	0.015	0.029
Government relations staff	0.459	0.012	0.436	0.482
Organizational bureaucratization	6.806	0.062	6.684	6.929
Government interactions	0.824	0.009	0.806	0.841
Government funding	0.488	0.012	0.465	0.511
State association membership	0.314	0.011	0.292	0.336
National association membership	0.205	0.010	0.186	0.224
Coalition affiliation	0.414	0.011	0.394	0.435
Local scope	0.461	0.012	0.438	0.484
State/regional scope	0.316	0.011	0.294	0.337
National scope	0.097	0.007	0.083	0.110
International scope	0.110	0.007	0.095	0.124
Special population focus	0.892	0.007	0.878	0.906
POC focus	0.364	0.011	0.342	0.386
Poverty focus	0.415	0.012	0.392	0.438
Logged (age)	3.106	0.017	3.072	3.140
Organization size < $100 K	0.242	0.010	0.223	0.262
Organization size $100 K–$499 K	0.378	0.011	0.356	0.400
Organization size $500 K–$999 K	0.121	0.007	0.107	0.135
Organization size $1M-$9.9 M	0.208	0.010	0.189	0.227
Organization size $10 M+	0.050	0.007	0.036	0.063
Arts	0.118	0.007	0.105	0.131
Education	0.173	0.009	0.155	0.190
Health	0.099	0.007	0.085	0.113
Human services	0.359	0.011	0.337	0.381
Other	0.251	0.010	0.231	0.271
Midwest	0.279	0.010	0.259	0.300
South	0.264	0.010	0.243	0.284
West	0.229	0.010	0.209	0.248
Northeast	0.228	0.010	0.209	0.248
Purple state 2020	0.344	0.011	0.322	0.366
Red state 2020	0.191	0.009	0.173	0.209
Blue state 2020	0.465	0.012	0.442	0.488
Urban	0.300	0.011	0.279	0.321
Rural	0.227	0.010	0.208	0.246
Suburban	0.473	0.012	0.451	0.496

Table 2: (continued)

	Mean	Linearized Std. Err.	[95 % conf. Interval]	
Poor population	0.310	0.004	0.303	0.317
Non-white population	0.251	0.005	0.241	0.260

external factors in understanding leaders' general levels of legal knowledge. Controlling for all other variables, organizations that are 501(h) electors have legal/regulation knowledge scores that are, on average, 15 points higher. Additionally, having a staff member responsible for government relations leads to an approximate 3.6 point increase in legal/regulation knowledge, supporting hypothesis 2a. Contrary to our expectations, organizations with higher levels of administrative policies and practices exhibit slightly lower knowledge scores, holding other factors constant. However, this negative effect is marginal, with a decrease of around 1 point per additional administrative practice reported. In support of hypothesis 3a, organizations with government interactions and government funding scored, on average, 4.4 and 4.3 points higher, respectively. Similarly, organizations that were members of state associations, national associations, or coalitions scored 4.6, 4.8, and 14.1 points higher, respectively, on a 100-point scale for legal/regulation knowledge questions, controlling for all other variables.

The organizational and contextual controls reveal additional insights into nonprofits' legal knowledge levels. Larger organizations tend to have more knowledgeable leaders, likely due to the greater legal compliance demands and capacity associated with larger size. Organizations with state, regional, or national programs (compared to local or international programs) and those located in urban areas or zip codes with higher percentages of poor households also exhibit greater legal regulatory knowledge. Other organizational attributes and contextual control variables, such as subsector, age, state political voting patterns, and the percentage of non-White residents in the organization's zip code, do not show significant associations with legal and regulation knowledge. Model 1 omits the zip code population variables to show that their inclusion in Model 2 does not affect the estimates for program focus variables, including poverty and POC foci. Inspection of variance inflation factors, with VIF< 3.0 for all variables and a mean VIF of 1.56, indicates that multicollinearity is not a concern in the models. Sensitivity analysis (not shown) using alternative models with program focus variables and zip code variables included separately and with the main variables included together and separately also demonstrates robustness of the findings shown. Likewise, sensitivity analysis comparing models that vary the inclusion of membership in state associations,

Table 3: Stage 1: Explaining nonprofit legal/regulation knowledge.

	Dependent Variable: Legal/Regulation Knowledge Score		
	(1)	**(2)**	**(3)**
Organizational factors			
H-elector			0.150***
			(0.034)
Government relations staff			0.036***
			(0.013)
Organizational bureaucratization			−0.010***
			(0.003)
Government relationships			
Government interactions			0.044***
			(0.017)
Government funding			0.043***
			(0.014)
Associations and coalitions			
State association membership			0.046***
			(0.015)
National association membership			0.048***
			(0.017)
Coalition affiliation			0.141***
			(0.013)
Program factors			
State/Regional scope	0.0521***	0.056***	0.033**
	(0.013)	(0.014)	(0.014)
National scope	0.031	0.034	0.036*
	(0.020)	(0.021)	(0.020)
International scope	−0.019	−0.019	0.023
	(0.020)	(0.022)	(0.021)
Special population focus	−0.025	−0.021	−0.011
	(0.018)	(0.020)	(0.019)
POC focus	−0.002	−0.008	−0.020
	(0.014)	(0.015)	(0.014)
Poverty focus	0.034**	0.036**	0.006
	(0.014)	(0.015)	(0.014)
Organizational controls			
Logged (age)	0.002	−0.000	−0.007
	(0.008)	(0.009)	(0.009)
Organizational size $100K–$499K	0.043***	0.055***	0.040***
	(0.014)	(0.015)	(0.015)
Organizational size $500K–$999K	0.105***	0.103***	0.060***
	(0.019)	(0.021)	(0.021)
Organizational size $1M–$9.9 M	0.138***	0.135***	0.082***
	(0.018)	(0.019)	(0.020)
Organizational size $10 M+	0.182***	0.179***	0.095**

Table 3: (continued)

Dependent Variable: Legal/Regulation Knowledge Score			
	(1)	**(2)**	**(3)**
	(0.039)	(0.040)	(0.041)
Education	−0.020	−0.019	0.007
	(0.021)	(0.022)	(0.021)
Health	−0.028	−0.033	−0.036
	(0.023)	(0.025)	(0.023)
Human services	−0.003	−0.008	−0.014
	(0.018)	(0.019)	(0.018)
Other	−0.002	−0.011	−0.004
	(0.019)	(0.020)	(0.019)
External environment/Context			
South	−0.018	−0.028*	−0.031**
	(0.015)	(0.017)	(0.016)
West	−0.017	−0.024	−0.031*
	(0.018)	(0.019)	(0.018)
Northeast	−0.013	−0.013	−0.032*
	(0.018)	(0.019)	(0.018)
Red state 2020	0.000	−0.009	−0.025
	(0.016)	(0.018)	(0.017)
Blue state 2020	0.006	0.015	0.002
	(0.015)	(0.016)	(0.015)
Rural	−0.014	−0.012	−0.038**
	(0.016)	(0.019)	(0.019)
Suburban	−0.023*	−0.027*	−0.034**
	(0.013)	(0.015)	(0.014)
Poor population		0.139***	0.081*
		(0.047)	(0.043)
Non-white population		−0.001	−0.018
		(0.038)	(0.035)
Constant	0.480***	0.441***	0.450***
	(0.034)	(0.041)	(0.042)
Observations	2,205	1,932	1,890
R-squared	0.069	0.078	0.217

Robust standard errors in parentheses. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

national associations, or coalitions (including models with each individually included) supports the robustness of the findings shown. Including only state or national association membership leads to around a 9-point effect for each of those variables alone, likely because membership in both levels is common, which reduces the direct effect of each when included together. Regardless of the inclusion or

exclusion of state or national association membership variables, the coalition affiliation variable has a stable 14 to 16-point effect on legal/regulatory knowledge scores.

7.2 Stage 2: Explaining Nonprofit Policy and Election Engagement

In stage 2 of the analysis, we use logistic regression for each of the four advocacy and public engagement dependent variables, with 1 indicating engagement (or an increase in engagement for regression 4 in Table 4). We include the full set of control variables from stage 1 and add the organization's legal/regulation knowledge score as the key explanatory variable.

As shown in models 1 through 4 in Table 4, we find significant support for hypothesis 1, demonstrating the critical role of nonprofit leaders' knowledge in organizations' use of advocacy, lobbying, election engagement, and the growth of advocacy in their strategic missions. Controlling for all other factors, organizations with leaders who have a greater understanding of legally permissible policy and election activities are significantly more likely to engage in those activities.

This finding is crucial because, while other internal and external factors are significantly related to organizations' policy and democratic engagement, leaders' legal understanding of permissible activities is the strongest determinant of participation. In other words, nonprofits that would otherwise be more likely to engage in policy, represent their constituents, and support democratic engagement are significantly less likely to do so if their leaders have a *lower* understanding of the legal regulations allowing such activities. This finding underscores the significant role of bounded rationality in creating barriers to participation in activities that could advance nonprofits' missions.

We also find support for hypotheses 2b and 3b. Independent of leaders' regulatory knowledge, organizations with stronger internal processes and structures for advocacy and lobbying are more likely to engage in general advocacy and lobbying (Model 1), participate in specific policy-focused behaviors (Model 2), conduct nonpartisan elections work (Model 3), and have greater advocacy levels compared to five years prior (Model 4). As shown in Table 4, having any staff member responsible for government relations has a significant positive effect in all four models. Being an H elector is significant in all models except for the five-year increase in advocacy. Organizational bureaucratization is significant in models 2 and 4, controlling for other factors.

We find partial support for hypothesis 3b regarding the role of external relationships in advocacy engagement. Relationships with government and participation in coalitions consistently show positive relationships with all forms of

Table 4: Stage 2: Explaining nonprofit advocacy and public engagement.

	Dependent Variables			
	(Model 1) advocacy/ Lobbying engagement	**(Model 2) policy Participator**	**(Model 3) voter engagement**	**(Model 4) increased advocacy**
Legal/Regulation knowledge	4.101***	2.054***	2.252***	1.532***
	(0.305)	(0.240)	(0.334)	(0.297)
Organizational factors				
H-elector	1.283**	1.677***	1.011**	0.280
	(0.529)	(0.645)	(0.393)	(0.404)
Government relations staff	1.042***	0.987***	0.341*	0.891***
	(0.147)	(0.124)	(0.180)	(0.161)
Organizational bureaucratization	0.025	0.060**	0.024	0.057*
	(0.032)	(0.027)	(0.039)	(0.034
Government relationships				
Government interactions	1.791***	1.348***	1.075***	0.940***
	(0.338)	(0.204)	(0.383)	(0.310)
Government funding	0.062	0.305**	0.183	0.062
	(0.158)	(0.135)	(0.177)	(0.156)
Associations and coalitions				
State association membership	0.367**	0.173	0.170	0.127
	(0.163)	(0.149)	(0.182)	(0.163)
National association membership	0.157	0.018	−0.033	0.218
	(0.189)	(0.168)	(0.197)	(0.177)
Coalition affiliation	1.244***	0.757***	0.360*	0.623***
	(0.150)	(0.129)	(0.184)	(0.158)
Program factors				
State/Regional scope	0.384**	0.257*	0.103	0.254
	(0.161)	(0.141)	(0.184)	(0.156)
National scope	0.513**	0.434**	0.332	0.429*
	(0.261)	(0.221)	(0.269)	(0.246)
International scope	0.448*	−0.115	−0.153	0.410
	(0.270)	(0.222)	(0.341)	(0.262)
Special population focus	−0.186	−0.127	0.546	−0.019
	(0.237)	(0.193)	(0.381)	(0.253)
POC focus	0.187	0.323**	0.366**	0.161
	(0.174)	(0.148)	(0.171)	(0.164)
Poverty focus	−0.043	−0.055	0.333*	0.507***
	(0.170)	(0.144)	(0.173)	(0.167)

Table 4: (continued)

	Dependent Variables			
	(Model 1) advocacy/ Lobbying engagement	**(Model 2) policy Participator**	**(Model 3) voter engagement**	**(Model 4) increased advocacy**
Organizational controls				
Logged (age)	0.061	0.093	0.122	0.042
	(0.103)	(0.090)	(0.120)	(0.103)
Organization size $100K-$499K	0.086	−0.221	0.146	0.019
	(0.197)	(0.160)	(0.236)	(0.204)
Organization size $500K-$999K	0.049	0.068	−0.071	0.028
	(0.249)	(0.212)	(0.289)	(0.243)
Organization size $1M-$9.9 M	0.334	0.444**	0.114	−0.093
	(0.238)	(0.210)	(0.271)	(0.245)
Organization size $10 M+	0.819*	0.439	0.667	0.771**
	(0.433)	(0.444)	(0.425)	(0.371)
Education	0.331	0.080	0.360	−0.116
	(0.283)	(0.220)	(0.309)	(0.268)
Health	0.665**	0.357	0.426	−0.073
	(0.291)	(0.240)	(0.325)	(0.301)
Human services	0.249	0.444**	0.045	0.140
	(0.233)	(0.191)	(0.269)	(0.223)
Other	0.376	0.408**	0.248	0.158
	(0.244)	(0.202)	(0.289)	(0.240)
External environment/ Context				
South	−0.0153	0.092	−0.016	0.065
	(0.197)	(0.165)	(0.213)	(0.191)
West	0.387*	−0.070	0.076	−0.021
	(0.227)	(0.193)	(0.237)	(0.222)
Northeast	0.228	0.274	0.235	0.051
	(0.217)	(0.181)	(0.228)	(0.218)
Red state 2020	−0.045	−0.0190	−0.263	−0.306
	(0.205)	(0.172)	(0.239)	(0.206)
Blue state 2020	0.156	0.121	−0.217	0.161
	(0.195)	(0.156)	(0.205)	(0.186)
Rural	0.015	−0.147	−0.163	−0.018
	(0.215)	(0.193)	(0.248)	(0.219)

Table 4: (continued)

	Dependent Variables			
	(Model 1) advocacy/ Lobbying engagement	**(Model 2) policy Participator**	**(Model 3) voter engagement**	**(Model 4) increased advocacy**
Suburban	−0.121	−0.092	0.037	−0.197
	(0.176)	(0.152)	(0.187)	(0.168)
Poor population	0.535	0.523	0.917	0.556
	(0.541)	(0.463)	(0.601)	(0.526)
zip_pnonwhite_2018_5y	0.183	0.232	0.627	−0.180
	(0.404)	(0.387)	(0.439)	(0.416)
Constant	−7.634***	−4.710***	−6.882***	−5.358***
	(0.646)	(0.485)	(0.796)	(0.605)
Observations	1,886	1,888	1,890	1,881

R-squared equivalents are not available for weighted logistic regression and are excluded. Robust standard errors in parentheses. ***$p < 0.01$, **$p < 0.05$, * <0.1.

engagement. However, government funding and state/national association memberships are less consistently associated with advocacy and lobbying actions, other than significantly positive relationships of state association membership in model 1 and government funding in model 2 in Table 4.

Interestingly, the full models reveal that, once legal regulatory knowledge and other variables are included, organizational size generally has an insignificant relationship with advocacy and other engagement practices. This suggests that the other organizational capacity variables included in the model generally explain the relationship between size and public engagement. Importantly, controlling for all other factors, we find significant support for the role of nonprofits in representative democracy. Specifically, organizations with programs serving people of color (Models 2 and 3) and individuals in poverty (Models 3 and 4) are significantly more likely to engage in policy and civic engagement strategies. This is particularly true for voter engagement activities, in which nonprofits are more likely to engage when they have programs that focus on people of color and people in poverty.

8 Discussion

This study provides strong evidence that nonprofit leaders' legal knowledge of regulatory frameworks is positively associated with overcoming the decision-making constraints imposed by bounded rationality, enabling more strategic engagement in

legally permissible advocacy, lobbying, and civic activities. Despite ongoing efforts by both public and private sectors to improve nonprofits' understanding of advocacy laws, knowledge gaps persist – highlighting a critical area for continued attention.

The IRS has long offered detailed guidance on permissible activities for 501(c)(3) public charities, including formal rulings, publications, and educational tools. Notably, the Tax Exempt and Government Entities Division (TEGE) provides online mini-courses covering topics such as nonpartisan engagement, voter education, issue advocacy, and the use of voter guides (Internal Revenue Service 2024a, 2024d). However, the continued low levels of legal knowledge among nonprofit leaders suggest that these initiatives, while valuable, remain insufficient to meet the sector's needs.

Organizations such as the Alliance for Justice and Nonprofit VOTE, along with national and state infrastructure groups like the National Council of Nonprofits and Independent Sector, play vital roles in improving nonprofits' understanding of advocacy and lobbying regulations. However, our findings show that many nonprofit leaders remain unaware of their organizations' ability to legally engage in advocacy and civic activities. This underscores the need for more robust, accessible, and targeted educational efforts across the sector.

The implications of these findings are multifaceted. First, they highlight the ongoing need for nonprofit infrastructure organizations and government bodies to clarify the rules and educate organizations about permissible advocacy activities. In light of the decline in legal and regulatory knowledge over the past two decades, more robust efforts to promote and disseminate this information may be necessary. This could include increased funding for training programs, publications, and wide-scale dissemination efforts – similar to those once supported by foundations and led by now-defunct organizations such as OMB Watch, which played a key role in defending the nonprofit sector's advocacy rights during the 1980s and 1990s (Cox and McCloskey 1996). These findings also align with earlier literature emphasizing the importance of clarifying complex rules and offering nonprofits clearly defined, legally permissible pathways for engagement (Bass et al. 2007; Berry 2003, 2005).

Beyond rule clarification, our findings support the critical role of organizational institutions and internal capacities in facilitating advocacy and civic engagement. Our findings that internal organizational capacities – such as employing staff dedicated to government relations or electing the 501(h) provision – significantly support advocacy engagement are consistent with prior research showing that organizations with greater professional expertise are more likely to participate in advocacy efforts (LeRoux and Goerdel 2009; MacIndoe and Beaton 2019; Mosley 2011). This suggests that funders and infrastructure organizations can enhance nonprofit policy engagement by supporting the development of organizational capacity, including training to increase staff expertise and supporting the hiring of personnel who are

dedicated to advocacy. These insights align with the theory of bounded rationality, which holds that increased knowledge and institutional support reduce decision-making barriers by offering clear options and satisficing solutions (Simon 1979). Moreover, strengthening these internal capacities can create a supportive environment for advocacy, even when leadership knowledge fluctuates.

External relationships also play a vital role in advancing nonprofit advocacy and civic engagement. As previous studies suggest, interactions with government agencies, coalitions, and associations facilitate knowledge sharing and reduce the costs of participating in advocacy (Berry 2003; Lu 2018a, 2018b; Riegel and Mumford 2022). Our findings support this, showing that external organizational relationships – especially those with government entities and coalitions – are positively associated with both leaders' legal knowledge and organizational levels of advocacy and lobbying. Notably, these relationships demonstrate a stronger and more consistent positive influence on both knowledge and engagement than government funding alone. This suggests that, beyond raising awareness of regulatory rules, efforts to foster nonprofit coalitions and expand opportunities for nonprofit-government collaboration outside of formal funding arrangements could meaningfully increase nonprofit involvement in public policy.

9 Limitations and Future Research

While this study offers valuable insights into the role of nonprofit leaders' regulatory knowledge and its impact on advocacy and lobbying activities, several limitations should be acknowledged. Most notably, the data were drawn from a cross-sectional survey conducted in 2022, representing a single point in time. As such, our analysis cannot establish causal relationships between leaders' knowledge, organizational capacity, and advocacy engagement. Future longitudinal research is needed to track changes over time and provide stronger evidence of causality. Additionally, while survey responses were statistically weighted to reflect the broader population of U.S. 501(c)(3) organizations – excluding hospitals and higher education institutions – further research is warranted. Studies focused on specific nonprofit subsectors or conducted in different policy or geographic contexts could help validate, refine, or expand upon these findings.

10 Conclusions

This study finds that nonprofit leaders' knowledge of advocacy and lobbying regulations is positively associated with levels of advocacy and civic engagement. A

greater understanding of legal guidelines is linked to multiple forms of nonprofit policy involvement. Additionally, the findings underscore the critical role of both internal organizational capacities and external relationships in supporting nonprofit advocacy. While enhancing leaders' legal knowledge remains important, building strong internal structures and leveraging external networks can also help organizations overcome decision-making barriers associated with bounded rationality. As such, efforts to increase nonprofit policy engagement should adopt a holistic approach – one that integrates education, capacity building, and the development of external partnerships – to facilitate the awareness and use of legally permissible advocacy and civic engagement actions to advance nonprofit missions and their representation of communities they serve.

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