

PAUL S. GROGAN AND ERIC SCHWARZ

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## The double payoff of a stimulus plan for nonprofits

By Paul S. Grogan and Eric Schwarz | January 15, 2009

AMIDST THE escalating demand for a federal stimulus package to rescue what seems like a new industry every day (first the financial sector, then autos, then steel), little attention has been paid to stimulating the nonprofit sector.

Yet the nonprofit sector is larger than the auto and steel industries combined, representing 10 percent of all US jobs, and 13 percent of jobs in Massachusetts. If the government fails to pay attention to this critical sector, there could be a loss of 1 million nonprofit jobs, leaving 1 million families without a paycheck, 1 million families buying fewer goods and services, and 1 million families who are closer to foreclosures and debt default.

The nation loses twice when there is a job lost in the nonprofit sector. Not only does a family lose an essential paycheck, but the community also loses a home healthcare worker, a preschool teacher, or an after-school tutor - people who often serve those most in need.

Just as job losses in the nonprofit sector has a double loss, a smart investment in this sector could have a double payoff: more jobs today and a more talented workforce tomorrow. President-elect Obama and New England's congressional leadership should team up with community foundations and other philanthropies - and with service organizations that stand ready to mobilize millions of Americans - to make a bold public-private investment in America's most effective and efficient nonprofits.

The stimulus package should include two far-sighted investments in the nonprofit sector:

- A federal investment in national service, placing at least 250,000 young people (and graying baby boomers) in full-time service, many of them focused on education;
- A \$2 billion matching grant fund to encourage and match new philanthropic investments in high-performing organizations that power an "opportunity pipeline" stretching from neonatal care through preschool, after-school enrichment, college access, and job training.

A serious program of national service could put hundreds of thousands of Americans to work by this summer, replicating what FDR did in his day with the Civilian Conservation Corps, which Roosevelt biographer Jonathan Alter has called the most popular of his New Deal programs. For a small price compared with the creation of jobs in other sectors, this would make a big down payment on Obama's promise to create 3 million new jobs and would represent the type of "all hands on deck" approach to problem solving that the country is yearning for.

An "opportunity pipeline" federal matching grant program could leverage \$2 billion or more in new philanthropic investments in organizations that build human capital (from preschool to job training) and leave a legacy of shared investment in a better future.

To earn a federal match, eligible foundations would have to either raise new funds or spend from their endowments at a rate higher than is required by their tax-exempt status, thereby pulling philanthropic money off of the sidelines and doubling its value. Moreover, federal support should go to only those initiatives supporting programs with a track record of success.

Obama has rightly called for a new efficiency in government, greater transparency, and greater engagement of the citizenry in solving collective problems. In many ways this is a return to our de Tocquevillian history of community-based problem solving, while also recognizing the federal government's role as a catalyst for change and an investor in solutions that work. An investment in the nonprofit sector that focuses on strengthening human capital and encouraging investments in proven programs would support Obama's vision.

The front pages of newspapers are filled with references to Keynesian economics. Keynesian investments to prime the economic pump are seen by many economists as a necessary evil - required at times like these to prevent economic collapse, but capable of building nothing for the long term except debt for future generations. But what if a portion of today's stimulus package was focused exclusively on the one investment that would not only produce jobs now, but would also build human capital, making the nation more competitive in the future?

*Paul S. Grogan is president and CEO of The Boston Foundation and Eric Schwarz is president and CEO of Citizen Schools. ■*

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