

THE CHRONICLE OF PHILANTHROPY

Mark Independence Day by Bolstering America's Nonprofit Innovators



The American Jewish Joint Distribution Committee, working collaboratively with the Israeli government, implemented a program to help combat loneliness in elderly people by holding birthday celebrations, holiday gatherings, and other events.

The United States was founded as an experiment. Could a nation enjoy freedom, prosperity, and security without a king? America's commitment to

innovation has endured, and has helped to shape perhaps the freest and most prosperous way of life ever known.

As we get ready to mark our nation's 242nd birthday tomorrow, we should celebrate a foundational element of America's dynamism: its nonprofits. We should also look for new ways to strengthen the ability of these organizations to dream up new ideas and disrupt the status quo.

Some people look to government for these innovations; indeed, Supreme Court Justice Louis Brandeis called state governments "laboratories of democracy."

But nonprofits have two advantages over the government in testing new ways to tackle social problems. First, nonprofits usually are nimbler and less bureaucratic. To start a new program, they do not need the approval of a large and complex government bureaucracy. Instead, they just need individuals who are willing to invest the necessary effort and resources.

Second, nonprofits can advance causes and test ideas that are not yet well established. Unlike government institutions, nonprofits do not have to be popular with the average voter. They have the autonomy to test unknown or controversial ideas. This is why civil rights, women's rights, and other transformative social movements began with nonprofit groups; ideas and policies related to these causes incubated in nonprofits for years before attracting enough support to prevail in legislatures.

New Approaches Subsidized

In the United States, even little-known nonprofit start-ups can gain access to government funds. As long as donors are willing to put up their own money, the government provides matching funds through a tax deduction for charitable contributions. For example, if income usually is taxed at 37 percent but charitable contributions are not taxed, taxpayers save 37 cents in tax every time they donate a dollar. As a result, the government funds 37 percent of the charitable contribution.

Donors, instead of government officials, decide where to direct the government's matching funds. So even when governmental institutions are deadlocked about which policy to pursue — as sometimes is the case in our increasingly polarized political climate — government funding remains available for nonprofits.

Even so, nonprofits' independence from the government is a mixed blessing. On one hand, the situation allows nonprofits the agility to innovate. On the other hand, it limits their size and impact. Because nonprofits have much smaller budgets than government entities, they cannot reach as many people and cannot attain the same economies of scale.

Sharing Responsibilities

Fortunately, there is a way to get the best of both worlds: well-crafted partnerships between nonprofits and the government. The division of labor should allow each of the partners to do what they do best. Nonprofits should dream up creative new ideas, and the government should expand the approaches that work.

For example, a government agency should identify a specific problem and ask a nonprofit to develop an innovative solution. With seed money from the government, the nonprofit should test this new program for a defined period of time (e.g., five years), collecting and analyzing data about the impact and cost. If a pilot program fails, it should be shut down. But if it succeeds, the government should take over the new program and increase its size and budget to reach many more people.

Though this approach may seem only theoretical, my organization already uses it in another land of start-ups and innovation: Israel. We work with the Israeli government to develop new programs for the unemployed, children at risk, the elderly, and Israelis with disabilities. We develop new ways to empower disadvantaged people to help themselves.

For example, Israelis with disabilities often live in residential-care facilities, but many would prefer to live on their own. In a pilot program, our organization has helped move some of these people to apartments, which we renovated as needed. We send staff members to check in on the residents periodically, and someone is always immediately available in the event of an emergency. So far this program — part of our partnership with the government and the Ruderman Family Foundation — has been a great success. Not only do these people with disabilities savor their independence, but the cost of caring for them is 30 percent less than in a residential facility.

'We Need You for That'

Today, my colleagues in Israel are designing or implementing more than 150 pilot programs like this one. We are spending more than \$100 million, with about two-thirds of that coming from the Israeli government. Innovative programs such as these are helping to transform social services in Israel. Over the years, the government has adopted about three-fourths of our pilot programs, which are being expanded and adopted across the country.

I recently asked the mayor of a small Israeli city where we work why he is so committed to working with nonprofits. "City employees know how to run an existing program," he responded. "But inventing a new program is different. We need you for that."

The same model can work just as well in the United States. It can make nonprofits here even more effective laboratories of democracy, ensuring that America's proud tradition of innovation continues for the next 242 years and beyond.

(David M. Schizer is CEO of the American Jewish Joint Distribution Committee.)