

# Stories from the Stimulus

## Part One

by Ruth McCambridge and Chris Finney

**Editors' note:** These two stories are the first of a series about how stimulus funds have affected nonprofits of different types. We have drawn these stories from the evolving case studies of the nonprofit groups we are following in the Nonprofit Quarterly's *Nonprofits in the Age of Obama* series (see [www.nonprofitquarterly.org/ageofobama](http://www.nonprofitquarterly.org/ageofobama)).

### Badlands Head Start and Early Head Start

*Belle Fourche, South Dakota*

This year, Badlands Head Start and Early Head Start has hired new staff, sent employees to college, awarded a cost-of-living wage increase, bought five new vehicles and fixed a parking lot, brought two buildings into compliance with the Americans with Disabilities Act, and hired a Sioux facilitator to help bridge cultural gaps between white and Native American employees.



South Dakota, three of which are among the poorest 25 in the United States. In one of those counties, Shannon, annual per-capita income is just \$6,286: about what an average resident of Connecticut earns in five weeks. "I think it's fairly stable here," says Doug Jacobson, the executive director of the South Dakota-based Badlands Head Start and Early Head Start program.

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—Doug Jacobson, executive director, Badlands Head Start

And that's just what the organization did with its stimulus funds, which totaled about \$240,000. Badlands serves the residents of five counties in western

I was looking at that this morning. Part of who we serve is ranching world communities, and they tend to be more conservative and have more conservative-based businesses in the industries. Also, there's an ethic that when times are tough, we pull together, and we're a community; we're not just a bunch of individuals. There's that personal connection and caring. So even for the nonprofits, if the funding has gone down, the volunteers have gone up, and I think it's part of that ethic of "We're in this together, let's pull together." So I don't know that we're suffering in that sense. Certainly, there's got to be other nonprofits that are suffering more economically than we are.

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**RUTH MCCAMBRIDGE** is the *Nonprofit Quarterly's* editor in chief. **CHRIS FINNEY** is a writer for NPQ.





But for Badlands, even the status quo has been pretty rough. Jacobson recently told the *Nonprofit Quarterly* that the organization has tried to pay more attention to its cultural makeup, which is divided between a largely white rancher environment and a reservation-based environment, and to the day-to-day trauma of some of the agency's staff. As financial pressures have eased given the influx of American Reinvestment and Recovery Act federal money, Jacobson has focused on human resource issues and what he faces is no worse than usual, perhaps, but all the sadder for this reason.

I just completed a conversation with our Area Services manager in Shannon and Bennett counties, and we were discussing the number of recent deaths directly involving staff or enrolled families. We have 10 staff there, and within the past two weeks, that staff has experienced:

- the suicide of the best friend of a staff member's 14-year old granddaughter, whom she was raising;
- [the discovery] of the murdered body of a staff member's father who disappeared three years prior;
- [the murder] of a staff member's children's grandfather;

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- [the suicide] of a staff member's nephew;
- [the murder] of a staff member's brother;
- [the suicide while in jail] of the nephew of an enrolled family; and
- [the death of] a staff member's niece in an automobile accident involving alcohol.

Our Shannon and Bennett staff and our enrolled families are strong, contributing members of their communities. Yet they cannot resolve one loss before the next occurs. Trauma builds upon trauma, and we have to find a way to adequately address it.

The entire Head Start network recently

emerged from an eight-year funding freeze that some believe was intended to kill the program outright.

And with the stimulus dollars came more permanent money. Programs had to mobilize quickly to complete the multiple applications required to access the various types of funding, and this was particularly hard on smaller agencies. In one city, an anti-poverty agency freed up a grant writer to help smaller Head Starts with their requests.

With the help of the federal money, Jacobson increased salaries and benefits, completed long-overdue repairs of facilities, and invested in staff development. He also hired a couple of additional staff people to work on specific issues, such as recruitment, enrollment, and providing transportation to medical appointments. "By hiring those two people, we are in better shape performance-wise than we have probably been in a decade or more," Jacobson reports. "It has been critical to have those people. Plus, because, I think partly due to the additional money, I was able to pay a better salary and benefits [so] I had 100 percent returning staff in Shannon and Bennett County, and that's a first ever. It would not be uncommon for us to have had 100 percent turnover in one year." Among the benefits the organization has added: "Increasing our funeral leave from two days to five days. Just little things like that all start to add up, I believe."

Badlands has received everything it has asked for, but it was not notified of its early Head Start expansion grant. Jacobson explains that that the organization will have to exist in this holding pattern for a bit:

It appears that they—at least in the first round of funding—had chosen to fund those programs that requested big: to serve new areas and large amounts of money. We simply requested to expand our current numbers by only 10. So we were only requesting a small amount of funds. I think the group reviewing those expansion grants is out of Washington, D.C., by the way. Everything else is approved at the regional level. There is some thought that we won't even get notified if we didn't get anything. We can go to what's called Early Childhood Knowledge

Learning Center, and it's on there that they have a list of those that did receive grants in each state, but they didn't list those that didn't, and they say they are still looking at requests. Looks like those that requested the big funds got it, and the rest of us are still sitting here waiting.

Ultimately, though, Badlands has encountered more personal challenge than economic hardship. As the organization moves into 2010, its goal is to build on its gains rather than take one step forward and two steps back.

## Christ Community Health Services

Memphis, Tennessee

In March 2009, Christ Community Health



Services (CCHS) of Memphis, Tennessee, was awarded \$548,000 under the federal stimulus package to continue providing health care to the uninsured and make capital improvements. For one of the 10 poorest states in the nation—a state that also ranks among the 10 worst for smoking rates, childhood, and adult obesity, heart disease, adult diabetes—these are important dollars.

But in a recent interview with the *Non-profit Quarterly*, CCHS's executive director, Burt Waller, raised serious concerns about the federal stimulus money CCHS had received. The money was aimed at helping this federally qualified health center provide services to what was expected to be a growing number of unemployed and, therefore, uninsured people. But Waller underestimated the depth of need these recipients would face. "When we wrote our justification to receive the funds, we said that over the 24-month period that we expected to see 1,250 newly uninsured users of our services," Waller says. "So that was what we projected we'd do in 24 months. At the end of the first six months, we had already seen 1,736." For every new uninsured patient Waller expected to treat, the deepening recession has produced about five. "So, of the \$548,000 awarded, we've already drawn down and expended \$450,000."

On the other hand, CCHS also received \$1.4 million in stimulus dollars for capital purposes, and

the organization plans to use the money to renovate a couple of older buildings: converting and equipping them as dental clinics. But these projects have a much longer "incubation" period. "I understand when I read in the media about stimulus monies that are going for road projects and construction projects and how there's been very little impact of those funds at this point," Waller remarks.

I can appreciate that because of my own experience. First of all, we've had a lot more hurdles to cross with the federal government relative to all the documents and assurances that they require for capital projects, and then capital projects also require a great deal of detailed, time-consuming planning before you can initiate them; so we received a capital grant last July, and this is an example of stimulus funding that has no immediate impact because we haven't drawn down the first dollar yet.

Given the background of leadership at CCHS, this delay is hardly surprising. When faced with insufficient dollars to meet increased need, CCHS leadership embarked on a careful market analysis and the rapid scale-up of an initiative that can act as a profit center.

**Christ Community Health Services has had to reconsider its ability to take on programs that serve its mission but carry substantial financial risk.**

We operate in a businesslike fashion, and we tend to think of our work here—we are a faith-based ministry, but we also have a culture that says we are going to operate in a businesslike way. And so because we have that orientation, we're always seeking ways to provide either new services or serve a different population that will be profitable for us to offset the losses we incur when things like the upsurge in uninsured patients happens. So one of the things that we've done that we're hoping will offset—we are greatly expanding our dental service, and that may sound very disconnected from all these uninsured users of our medical services—but there are certain segments of the dental marketplace that we've carved ourselves a position where we can deliver services that are profitable

to us; so we've recently entered into an agreement with the local Head Start providers.

Waller explains that the federal regulations that govern Head Start require that each child receive preventive dental services, and local Head Start programs had encountered difficulty finding anyone that was interested in serving the dental needs of Head Start children. So they developed a program to deliver the services on site. "So we have quickly become a major provider of preventive dental care."

The financial environment also has forced CCHS to reconsider its ability to take on programs that serve its mission but carry substantial financial risk.

"We've rebalanced our mission-versus-business equation," Waller notes.

We still work to be true to our mission, but prior to last year, we would often make decisions that didn't make a lot of fiscal sense. Prior to last year, I think we would allow the mission issues of who needed care and how we could serve them to greatly outweigh the fiscal issues. And here in the last few months, the guidance we've gotten from the board, I've heard a lot more about not taking on new things that won't work for us financially. We've been through a process where another organization came to

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**—Burt Waller, executive director, CCHS**

us and told us they were going to discontinue some services. They asked if we would take them over, and in the end we didn't. From a mission standpoint, we certainly could have justified doing it, but it just would have carried with it a fair degree of fiscal risk. Our board's view was if we were in another time, we might be willing to take that on, but this is not the time and economic environment to do it.

Waller is cautious about the immediate future, though. "This current year, we'll be OK financially, because we've had this stimulus funding and we've begun this new service that's got a positive margin

to help offset the cost associated with the huge upsurge in demand from people who have lost insurance," he predicts. "I'm more concerned about what happens in our next fiscal year because our next fiscal year is July 2010 through June 2011, and by then all of the stimulus funds will have been fully expended. We will have spent in the first year all of the two-year allocation of stimulus funds, and we will have probably served more than twice the number of people in one year that we said we thought we would serve in two years."

And even with a positive outcome, the longer-term future of national health-care policy looms large. "It is going to be a tumultuous time," Waller says. Providing health coverage will bring people into the health-care system who would have had little choice but to live with their health problems.

"That's going to release a lot of pent-up demand," Waller predicts. "So we're going to go through a period that the health-care delivery system is especially stressed by an upsurge in demand." And those new patients will need new doctors and nurses. "I don't see large numbers of physicians or health systems rushing to open new points of access and new offices in low-income inner-city neighborhoods." This is exactly the role CCHS and organizations like it seek to fill, but recruitment is a challenge. "We're always seeking to identify, recruit, and employ family physicians and pediatricians and general internists . . . and we've already experienced a real challenge with recruiting young physicians."

But Waller's got an eye toward the future. "Sometimes we call it vision casting. . . . I think we will expand. This is a city in which there are still many neighborhoods without any access to care, where people are relying on the hospital emergency rooms as their only realistic access point into care. So I think our goal is to identify three communities of continuing high need and establish them as our priorities for expansion. Now, that's probably not going to happen unless health reform becomes a reality, but our view is that we need to be poised to respond."

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