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Federal Budget Situation for Charities Improves, Study Finds

By Elizabeth Schwinn

Washington, D.C., July 2, 2007 — Charities seem to have a good chance of getting more money from Congress over the next five years than President Bush wanted them to receive, a new study finds.

The study by the Aspen Institute, a Washington think tank, shows that in its early stages of making spending decisions, Congress has approved an increase of three times more money for programs of interest to charities than President Bush sought in the budget request he sent to Capitol Hill in February.

President Bush proposed an increase of about \$75-billion over the next five years in spending on programs for charities and those they help.

But Congress agreed in May to a budget blueprint that would increase spending on the same programs by \$248-billion by 2012.

To come up with its estimate, the Aspen Institute looked at programs that provide money directly to charities, such as grants for child care or the arts, as well as spending that affects the demand for charity services. For example, when money for federal nutrition programs is cut, more people seek help from soup kitchens and food banks.

The battle over the budget isn't over yet, says Alan J. Abramson, the report's author and director of the Nonprofit Sector and Philanthropy Program at the Aspen Institute. Congress "seems pretty adamant" about its priorities, he says, but on the other hand Mr. Bush has threatened to veto congressional spending bills if they don't conform to his philosophy.

Despite the proposed increases in spending, not all types of charities will benefit.

Almost all of the increase proposed by both Mr. Bush and Congress would pay for increased spending on health-care programs such as Medicare and Medicaid and so-called "income security" programs such as welfare and tax credits for low-wage workers.

Money for all other programs charities care about, including the arts, education, nutrition, and scientific research, would decline under proposals by both President Bush and Congress. Those programs would be cut over the next five years by \$111-billion under the Bush plan and by \$16-billion under the Congressional plan.

In a separate report, the Aspen Institute found that in recent years, many charities have been benefiting from the growing amount of money the federal government puts into Medicaid, which pays for health care to the poor.

The report, prepared for the Aspen Institute by the Nelson A. Rockefeller Institute of Government in Albany, found that more charities, even human-service charities whose primary mission has little to do with health care, have been developing programs that qualify them for Medicaid funds. For example, a foster-care charity may develop the skills it needs to provide health care for those children.

One organization that has qualified for Medicaid funds is the Latin American Youth Center in the District of Columbia. The center receives up to \$200,000 a year in Medicaid money from the city government to reimburse it for mental health care it provides to children, says Anita Friedman, the center's chief operating officer.

Ms. Friedman warns, however, that qualifying for Medicaid funds is neither quick nor easy. For one

thing, the center had to hire personnel and establish new procedures to be certified to receive Medicaid money. And Medicaid funds don't cover illegal immigrants, who are a large part of the center's clients. Still, she says, "It's helpful. You want to be able to provide a quality service, and to do that costs money."

Increased dependence on Medicaid has affected nonprofit groups in various ways, the report found. The groups have hired more employees with medical training in order to qualify for Medicaid money, and

those employees have helped increase their capacity to provide services. But it noted, the availability of the money is not certain, so that can make it more difficult for charities to plan their finances and programs.

A copy of the study on Medicaid funds is available on the [Web site](#) of the Aspen Institute's Non-profit Sector Research Fund. The study on charities and the federal budget will be available soon, the Aspen Institute says.