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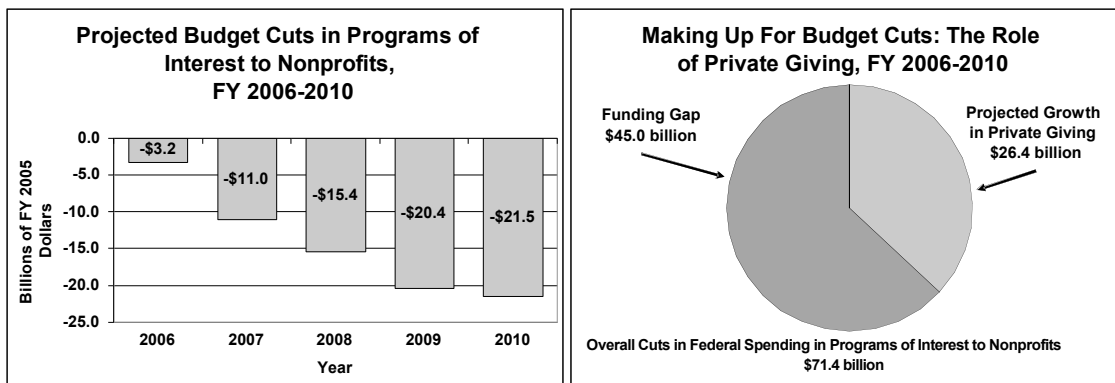
WILL PROPOSED FEDERAL BUDGET CUTS LEAVE NATION'S DISASTER-RECOVERY GROUPS FURTHER AT RISK?

NEW RESEARCH ON CHARITIES RAISES CONCERNS

Washington, DC, September 14, 2005—In the wake of criticism surrounding the US Government's response to Hurricane Katrina, federal lawmakers will soon be making budget decisions that are likely to negatively impact the nation's charitable "infrastructure" for years to come.

Federal programs of interest to nonprofit organizations – groups that often serve as the backbone of communities in times of crisis – will be cut between \$40 billion and \$71.5 billion over the next five years, according to a new analysis of the most recent presidential and congressional budget proposals. Private charitable giving would have to increase two to three times its current rate in order to offset the proposed reductions in housing, employment, education, and social services programs.

Federal budget experts Alan J. Abramson, director of the Nonprofit Sector and Philanthropy Program of the Aspen Institute, and Lester M. Salamon, director of the Johns Hopkins University Center for Civil Society Studies, found that fiscal year 2006 federal budget proposals reflect a trend of shifting financial responsibility for a number of social programs away from the federal government and toward the charitable sector. Excluding spending for health and income assistance, the budget proposed by Congress would cut funding for programs of interest to nonprofit groups by \$40 billion between FY 2005 and FY 2010. If the President's proposals were enacted, these same programs would be cut by \$71.5 billion over this period.



While the proposed reductions would almost certainly increase demand for nonprofit services, they would simultaneously reduce the funding many nonprofits have available to meet even previous demands. These shortfalls will leave many community groups scrambling to serve those in greatest need, particularly in times of crisis.

Abramson and Salamon found that charitable giving would have to increase by two to three times the growth rate that has been typical over the past two decades in order to make up for these proposed cuts. It is therefore unlikely that donations by individuals, foundations, and corporations will offset these reductions.

The authors note that since the 1970s, government funding has far outdistanced private philanthropy as a source of nonprofit funding, accounting for nearly one-third of nonprofit income. Charitable donations, on the other hand, account for one-fifth of nonprofit income.

The new report, *The Nonprofit Sector and the Federal Budget: Fiscal Year 2006 and Beyond*, is the first of a series of studies that the Aspen Institute Nonprofit Sector Research Fund plans to conduct on the fiscal health of the nonprofit sector. The Nonprofit Sector Research Fund was established in 1991 to increase understanding of the nonprofit sector and philanthropy. Since its founding, the Fund has awarded a total of \$10 million to support over 400 research projects on a broad range of nonprofit topics.

Alan J. Abramson directs the Nonprofit Sector and Philanthropy Program at the Aspen Institute in Washington, DC, where he oversees research, dialogue, communications, and leadership development initiatives focused on critical nonprofit issues. He is the author and co-author of numerous books and papers on nonprofit and related issues and sits on many nonprofit boards and advisory committees.

Lester M. Salamon is a professor at Johns Hopkins University and director of the Johns Hopkins Center for Civil Society Studies. He has led groundbreaking studies of the nonprofit sector in the US and around the world. His many publications include *The State of Nonprofit America*, published in 2002 by the Brookings Institution in collaboration with the Aspen Institute.

A free, downloadable copy of *The Nonprofit Sector and the Federal Budget* can be found at www.nonprofitresearch.org. For more information on this publication, contact John Russell at 202-736-5855 or john.russell@aspennst.org.

The Aspen Institute, founded in 1950, is an international nonprofit dedicated to fostering enlightened leadership and open-minded dialogue. Through seminars, policy programs, conferences, and leadership development initiatives, the Institute and its international partners seek to promote nonpartisan inquiry and an appreciation for timeless values. The Institute is headquartered in Washington, DC, and has campuses in Aspen, Colorado, and on the Wye River on Maryland's Eastern Shore. Its international network includes partner Aspen Institutes in Berlin, Rome, Lyon, Tokyo, and New Delhi, and leadership programs in Africa and Central America.

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