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NONPROFIT QUARTERLY

President Obama's FY2014 Budget: The Issues for Nonprofits

By: Rick Cohen – April 18, 2013

Now that President Obama has released a proposed budget for Fiscal Year 2014, the ideological battle of taxation and spending is now joined in something close to what Congress calls the "regular order." Unlike the past couple of years of federal budget-making, left to a handful of Congressional leaders to negotiate behind the scenes, the President's proposal, along with budgets passed by the U.S. Senate and the House of Representatives, moves the nation back into the process of congressional committees holding hearings, calling witnesses, issuing reports, and recommending legislation for the floor votes.

The order isn't quite "regular" in this instance; the President's budget proposal, several months late, follows rather than precedes the budgets crafted by the Senate Budget Committee, chaired by Senator Patty Murray (D-WA), and the House Budget Committee under Rep. Paul Ryan (R-WI). Nonetheless, nonprofits should be able to do more this time around than lobby members of Congress, who are not very close to or involved in the budgeting process and are often very frustrated by their exclusion. And the President's budget—all 244 pages of it, plus 508 pages of analytical perspectives—provides lots of specifics for nonprofits and legislators to examine, debate, and plan for.

Posture toward the Nonprofit Sector

In their focus on message discipline, the nonprofit leadership organizations are trying to utter relatively little that would divide 501(c)(3)s as they advocate for no changes to the charitable deduction. Although, as before, there is no Democratic Party appetite for the President's returning proposal to cut the deductibility of itemized deductions, including but not limited to the charitable deduction, to 28 percent, charities are nonetheless mobilized. Despite recent research that the impact of the President's proposal would be minimal and potentially would undo the negative budget impacts of sequestration on nonprofits, secular and religious charities have warned the President not to "tamper" with the charitable deduction, as though the White House were full of mischievous children tinkering with and breaking toys.

Without being drawn into the policy sinkhole of the charitable deduction, which for many nonprofits overwhelms the remaining content of the budget, this analysis focuses on other budget substance.

The President's budget, however, offers nonprofits a variety of conceptual sweeteners as an overall promise as to what the White House would do for nonprofits. In a release with a compound title drawn from multiple tested messages, "Strengthening and Supporting Non-Profits, Philanthropic, Faith-Based and Other Community Organizations Working to Grow the Middle Class," the White House largely suggests the following approach toward nonprofits in the budget:

- In committing to “finance to scale proven community solutions,” the budget puts $49 million into the Social Innovation Fund and adds $4 million for “a pilot to improve grantee access to State and federal administrative data.” Assuming the SIF were funding proven solutions, which the short-lived production of the program hasn’t demonstrated to date, $49 million doesn’t look like a program moving to scale. The posted report on the SIF investments covers only the first two years of SIF implementation through FY2012, and lists all the disbursements but shies away from definitive statements of SIF success.
- The budget adds $215 million to the Investing in Innovation (i3) program, $150 million for the Workforce Innovation Fund, and $260 million for the First in the World program, the latter focused on “cutting-edge innovations that decrease college costs and boost graduation rates.” While these may or may not be good programs, they don’t necessarily have strong, much less dominant, nonprofit roles as grant recipients or implementers.
- A variety of programs have comprehensive neighborhood or community-wide emphases, including Promise Zones (largely in HUD), Promise Neighborhoods (the Department of Education, modeled on the Harlem Children’s Zone), Choice Neighborhoods (again in HUD), and Byrne Criminal Justice Innovation Grants (Department of Justice). To the extent that nonprofits mobilize and organize, they can play significant roles in these programs. However, as the Promise Neighborhoods initiative showed, there are a lot of applicants, a relatively small amount of money, and lots of competition for the dollars from other non-nonprofit players and partners.
- The Administration doubles down on the Pay for Success program, basically adopting the as-yet-unproven social impact bond concept. Started in FY2012, the Pay for Success program allowed the Department of Justice to make two grants for experiments to reduce recidivism and, in FY2013, allocated money for the Department of Labor to consider job training program efforts. For FY2014, the budget includes a new allocation of $185 million for efforts in job training, education, criminal justice, housing, and disability services, plus five percent of the proceeds from sales of excess federal properties to go toward Pay for Success efforts focused on reducing homelessness. Another $300 million will go to a Pay for Success Incentive Fund administered by the Department of Treasury to “provide credit enhancements for philanthropic investments and outcome payments for successful, money-saving services.” The dual theory of the Pay for Success (or social impact bond) program is that the risk is borne by private investors and the taxpayers ultimately save through cost-saving innovations. What hints at the lack of proof of concept is the offer of credit enhancement to foundations to get them to support Pay for Success initiatives.
- Much like the Promise Zones’ mixes of incentives and the Pay for Success program’s promise of innovative service approaches with rigorous evaluation on their performance results, the budget commits to “a limited number of Performance Partnership pilots designed to improve outcomes for disconnected youth, including young adults who have dropped out of school and are not employed.” The implication is that these pilots would blend discretionary funding from Education, HHS, Labor, Justice, HUD, and other agencies “in exchange for greater accountability results.” No specific funding target is attached to Performance Partnerships in the proposed budget, making it difficult if not impossible to know what resources will be required or how much federal government performance and follow-through can be expected.
- The Corporation for National and Community Service is largely flat-funded, but has not been cut back in the President’s budget. The $1.06 billion for CNCS is roughly the same as its FY2012 appropriation, capable of supporting, according to budget

documents, 82,000 AmeriCorps participants—specifically, 73,200 AmeriCorps state and national members, 7,700 AmeriCorps VISTA members, and 1,200 AmeriCorps National Civilian Community Corps participants. However, the President does propose to allocate $10 million for the George H.W. Bush Volunteer Generation Fund "to support nonprofits' ability to recruit, retain, and manage [volunteer] talent." An additional $3.2 million is to be set aside for CNCS "Call to Service" efforts, such as the days of service usually targeted for Martin Luther King Jr. Day and the remembrance of September 11th.

The biggest change for nonprofits in the FY2014 budget or in a White House release linked to the budget may not be financial. The President has two important reforms for the sector. One is the phasing-in of required electronic filing of Form 990s for all nonprofits, so that the data would be accessible in machine-readable form. The phrasing of the proposal isn't clear on whether the e-filing requirement extends to private foundations that file 990PFs, especially since the foundation data, reflecting assets of well over half a trillion dollars, include information on investments that are critically important for analysis but hard to imagine converting into a consistent apples-to-apples format for all foundations. The Administration also proposes "to ensure that all nonprofits and other entities who receive Federal funds are appropriately reimbursed for the allowable indirect costs…[through] a minimum reimbursement rate of 10 percent of direct costs, available for up to four years of the grant."

The e-filing and the indirect cost rate proposals, as limited as they might be, show that the administration has heard the nonprofit sector's concerns and reports about data collection, cost reimbursements, and contracting. Legislative efforts in Congress to look at the environment in which nonprofits operate went nowhere, perhaps because they emphasized the idea of national commissions that would generate new piles of reports with limited possibilities of action. The President's proposals take the issue of fixing the environment into the executive branch of the federal government, where contracts with nonprofits are negotiated and administered. Given the limited dollars for many of the President's flagship nonprofit ventures, improving the playing field for nonprofit grant and contract recipients could be the most significant new initiative for 501(c)(3)s, or for nonprofits *qua* nonprofits, in the entire package.

Changing how government treats the nonprofit sector, ensuring that we get closer to reasonable overhead calculations, avoiding shortchanging nonprofits on the full costs of service delivery, and setting the tone on federal grant and contract behavior as a model for the cacophony of state and local practices…even if the budget regarding revenues and expenditures goes nowhere, the President deserves credit for launching what could be a systemic repair of contracting and reimbursement issues through the Office of Management and Budget rulemaking.

Housing and Community Development

A number of FY2014 components of the HUD budget speak to the nonprofit sector, painting a picture of the President's continuing responsiveness to urban housing and community development needs. In general, HUD Secretary Sean Donovan has been seen as leading the agency out of its long-running managerial morass, reflected in the President's budget commitments that may or may not pass through Congress, but indicate some confidence in HUD's (or Donovan's) ability to implement.

For the fourth year in a row, the President has called for $1 billion for the National Housing Trust Fund, the entity that was created by the Housing and Economic Recovery Act of 2008. Unfortunately, HERA originally called for the Trust Fund's capitalization by proceeds from Fannie Mae and Freddie Mac just as both tanked and went into federal financial receivership. Without that dedicated revenue source, the President has tried annually simply to capitalize the program from general revenues, without success.This year's proposal, in HUD's budget, is predicated on $1 billion in various offsets or savings elsewhere. Without the Trust Fund, which is dedicated to the construction or rehabilitation of housing that's affordable for very-low-income individuals and families, the other affordable housing construction program, the HOME Investment Partnerships program, will suffer a five percent funding cut. In the budget, HOME is slated for $950 million, which is down relatively little from its last enacted budget levelof $998 million in FY2012, but well below its $1.825 billion in FY2010 and $1.607 billion in FY2011. Nonprofit housing developers use HOME very actively, but a cut in HOME plus potentially no money for the trust fund does not bode well for affordable housing construction.

Many neighborhoods are still ravaged by the nation's rampaging foreclosure crisis. The housing markets may be improving, even driving some of the nation's tepid economic recovery, but many underemployed and unemployed families still face challenges in making their mortgage payments. The HUD budget includes $200 million in new appropriations for Neighborhood Stabilization Program activities (to be called the Neighborhood Stabilization Initiative) plus $15 million for a new program called Project Rebuild. The President's Project Rebuild proposal tracks the structure and language of a bill introduced by Rep. Maxine Waters (D-CA), described as continuing and expanding on NSP, though more than doubling in one year what the NSP has allocated in three rounds of grants since 2008. Waters has proposed the legislation before without success. Will it succeed as part of the President's budget?

The problem is that the allocations for Project Rebuild and some other HUD elements come not from new appropriations, but reductions in the Community Development Block Grant program. Community Development Block Grants allocated by formula to entitlement communities and states would only be $2.798 billion in FY2014, compared to an allocation of $3.336 billion in FY2011 and $3.990 billion in FY2010. Given that Congress usually makes a number of earmarks out of the CDBG program, the formula allocations will filter down smaller than ever for entitlement communities. Nonprofits will take it on the chin if they anticipate participating in CDBG programs as nonprofit developers or as service providers in the proportion of local CDBG allocations generally set aside to fund public services.

Tracking special program allocations is a challenge in the HUD budget. The Choice Neighborhoods program, generally conceived of as a replacement for the HOPE VI program of replacing public housing developments with more economically integrated communities, had a $120 million appropriation in FY2012 (and roughly the same in the FY2013 continuing resolution) and is proposed for $400 million in FY2014. In the two years of funding, HUD made a total of nine Choice Neighborhood implementation grants for a total of $231 million and 47 planning grants totaling $12.6 million. The proposal anticipates 10 implementation grants of $30-40 million and 20 planning grants. However, the proposed FY2014 allocation includes some funding for the Promise Zones initiative the President announced in his State of the Union, selecting 20 communities for a mix of some grants but mostly tax incentives to spur investment and hiring activity in low-income areas, costing $1.642 billion in lost revenues between 2014 and 2018 and $5.376 billion between 2014 and 2023. If anyone remembers the Empowerment Zones program crafted by the late Congressman and HUD Secretary Jack Kemp, on first blush there is a lot of surface similarity. Witness this description from a February 12th document released by the White House: "The President is committed to helping 20 communities—urban and rural—across the country develop plans, take advantage of resources, and break down federal barriers so that they can create jobs, leverage private investment, increase economic activity, expand educational opportunities, increase quality affordable housing, and improve public safety. Within each of these new Promise Zones, the Administration will provide intensive technical assistance to use existing resources more effectively."

Budgeting for Education

Located in the HUD budget, the Promise Zones and the Choice Neighborhoods program have their Department of Education counterparts in the Promise Neighborhoods program. While Choice Neighborhoods has had some struggles in the desire of public housing authorities to retain some built-in guaranteed role given Choice Neighborhood's function as a replacement for the HOPE VI public housing program of previous administrations, Promise Neighborhoods exists specifically because of a nonprofit model, the Harlem Children's Zone. The White House proposes a new allocation of $300 million for Promise Neighborhoods. Having been given only $59.9 million in FY2012 and FY2013, this would be a major increase for this high profile program. The Department's own budget justification notes that some of the planning money built into the Promise Neighborhoods budget would be for communities that intend to plan jointly for Promise Neighborhoods and Choice Neighborhoods, but the President's budget suggests a portion would be targeted for joint planning with Promise Zone communities. Notwithstanding the specific budget numbers, it appears that the Administration has gone all-in on multiple overlapping approaches to what the foundation community calls "comprehensive community initiatives."

Like its HCZ prototype, Promise Neighborhoods supports "cradle-to-career" strategies with the provision of "effective, achievement-oriented schools" at their core. As in HCZ and as envisioned by PN applicants, that generally means charter schools. Under Secretary Arne Duncan, the Department of Education is deep into charter schools. For example, the Department's budget request includes $294.8 million for the "Expanding Educational Options" program, replacing the $254.8 million appropriated in FY2012 and FY2013 as charter school grants. The EEO program has two components: one of grants for supporting effective charter schools, the other focused on promoting public school choice. Although the latter sounds like it also includes charter school operations, the FY2014 spending would all be on supporting effective charter schools. Interestingly, because of a shortfall in funding for the Department's program of test-fee assistance to lower-income students who want to take Advanced Placement tests, the Department has moved $2.9 million out of its Magnet Schools program, which is oriented toward public schools, plus $200,000 out of charter school grants to help pay for shortfalls in the program from FY2012 and FY2013, as well as part of the $53.2 million allocated for AP fees, under a new program title, the College Pathways and Accelerated Learning program, for FY2014. When it comes to priorities, Education is clearly continuing to elevate and promote charter schools, notwithstanding the increasing number of studies that call into question assumptions about charter school management and performance.

Interestingly, the Race to the Top in this year's budget shifts its focus from K-12 schooling to higher education, offering $1 billion in "competitive grants to States that commit to driving comprehensive change in their higher education policies and practices, while doing more to contain their tuition and make it easier for students to afford a college education." The RTT grants would go to 10 states, according to the Department's budget justification. On top of the RTT allocation would be $260 million for the "First in the World Fund," a program described by Education as "'venture capital' to encourage innovative approaches to improving college completion, research support to build the evidence of effectiveness needed to identify successful strategies, and resources to scale up and disseminate proven strategies." First in the World would apply, according to the Department of Education, "the lessons of the successful Investing in Innovation (i3) program for K-12 to the challenge of improving college attainment and productivity," though it is unclear when i3 vaulted from a relatively new program to a proven success.

In any case, there is no indication in any of the budget documents that the government aims to improve college access and affordability plans by getting endowed universities, which unlike private foundations receive tuition payments and government grants, to increase the spending from their sometimes massive tax-exempt endowments to decrease tuition rates and increase support for lower-income students.

The big news in the Education budget is Preschool for All, the President's plan for $1.3 billion in FY2014 and $75 billion over 10 years, meant as a component of federal/state cost-sharing "to expand access to high quality preschool for additional middle-class families, and promote access to full-day kindergarten and high-quality early learning programs for children under the age of four." In addition, Education requested $750 million for preschool development grants. Presumably, this is an arena where nonprofit providers would be expected to play outsized roles. While the emphasis on middle-class families in the program description is somewhat jarring, as it sounds like a continuation of the poll-tested language from the campaign, the reality is that the proposal, if funded, would provide a critically needed resource for families to ensure that their children come to kindergarten better prepared for the educational process.

It's not entirely clear how the Preschool for All proposal relates to the $1.43 billion budgeted for Early Head Start or the overall funding for Head Start itself. The budget includes $9.621 billion targeted for Head Start and Early Head Start, an increase of $1.653 billion over FY2013, though without the Early Head Start funding, an increase of only $223 million for Head Start itself. That means no real increase in Head Start slots, but funding that allows Head Start simply to keep pace with increasing program delivery costs. Overall, Head Start would serve 1,053,000 children, including 110,000 infants and toddlers in Early Head Start. Significant, however, is the budget's linkage of an increase in the cigarette tax to pay for both Preschool for All and the expanded Early Head Start.

The federal tax on a pack of cigarettes would rise from $1.01 to $1.95. The budget calls for the cigarette tax to pay for new early childhood investments. The 10-year revenue generation from the cigarette tax is predicted in the budget to be $78 billion, not far off from the combined costs of Preschool for All and Early Head Start.

Increasingly, Head Start is under attack not just from the right wing, but from liberals who have seen the repeated studies that the long-term impacts of the program are questionable. The latest was an influential comment by TIME magazine columnist Joe Klein rapping the President for his "oblique and belated efforts to reform Head Start…that a study conducted by its own bureaucracy…has found nearly worthless." It may be that the Administration anticipated this right/left blowback, emphasizing Early Head Start in the budget text and choosing to de-emphasize Head Start. The libertarian Cato Institute hints that the Preschool for All initiative, which in a way removes the income targeting of Head Start, may be a step toward replacing Head Start with a more politically acceptable universal coverage alternative. Citizens Against Government Waste, another conservative budget think tank, is more explicit than Cato in describing Preschool for All as meant to "replace the ineffective Head Start program." Is Head Start no more than an income-targeted "preschool for all"? The challenge to supporters of Head Start is clear from the budget text, subtext, and missing text.

Health and Human Services

Head Start comes under the budget authority of the Department of Health and Human Services, not Education, though it has plenty of educational content. Increasingly, cross-departmental initiatives are built into the budget due to the complexity and interrelatedness of the social problems government funding is meant to address. The Department's budget request contains several programs that touch on many different kinds of nonprofits:

- In the budget of the Administration for Children and Families (ACF), HHS asks for $2.5 billion for the Child Care and Development Fund, an increase of $700 million, of which $200 million will be for a special initiative to improve the quality of child care programs. Also in ACF, refugee assistance programs get bumped up by $355 million to $1.1 billion—an absolute necessity, if not way too little should Congress really get around to enacting comprehensive immigration reform.
- On the downside of ACF is a devastating cut in the Low Income Home Energy Assistance Program (LIHEAP) block grant, from $3.471 billion in FY2012 and $3.493 in the FY2013 continuing resolution to a paltry $2.820 billion in FY2014. Going through states to local nonprofits, the chipping away at LIHEAP will affect nonprofits and the low-income families they serve.
- The Obama Administration's eagerness from the get-go to eviscerate the Community Services Block Grant continues to be evident in FY2014. CSBG drops from $681.5 million in the FY2013 continuing resolution to only $350 million in the president's proposal. CSBG is a major source of funding for community action agencies, the historic implementers of the always-underfunded war on poverty. As agencies exclusively focused on serving the poor and very poor with a mix of programs responding local needs, community action agencies hold a distinctive place in the nonprofit sector, unmatched by johnny-come-latelies proposing to solve structural poverty with social entrepreneurial gimmicks. The budget justification is that "the [CSBG] program's current structure does too little to hold these agencies accountable for outcomes." As a result, the budget also calls for making CSBG a competitive program, which, if past Administration proposals are pursued, would open CSBG to agencies outside of the community action arena. It doesn't seem difficult to see that the Administration is no fan of community action agencies and intends to slowly starve them of their most crucial funding support.
- Welfare—that is, Temporary Assistance for Needy Families—gets cut as well, although it doesn't look like it. TANF is projected for the same funding in FY2014 that it received in FY2012: $16.488 billion. With no increase, that means that increasing costs and increasing numbers of TANF recipients are not accounted for in the budget. Having witnessed a dramatic increase in poverty and millions of people continuing in unemployment, underemployment, or simply dropping out of the workforce, the U.S. cannot be so blind as to assume that there is no demand for increased family support for very poor people. Knowing the differential in how states allocate and supplement their

TANF grants, this budget allocation represents a willful response to poor people, saying, "Good luck on finding your bootstraps."

The other major HHS funding arena where nonprofits participate as grant and contract recipients and service delivery mechanisms is in health, which is perhaps the budget's most important program area considering FY2014 is the year for the beginning of full implementation of the Affordable Care Act. Provision of health insurance coverage will mean less than it should if health care providers aren't accessible to poor people and if components of national health reform aren't adequately funded. The HHS budget describes funding for health care initiatives as follows:

- Health Centers: The budget offers $3.8 billion for health centers, including $2.2 billion mandated in the Affordable Care Act. That means support for 23 million people through 8,900 health centers (actually 1,200 grantees, some with multiple centers), including 40 new ones in the FY2014 allocation.
- National Institutes of Health: Each of the institutes gets a FY2014 budget increase above the FY2012 enacted levels for a total of $471 million in new appropriations, with a significant shift from non-competing to competitive research grants.
- Mental Health: HHS funding for mental health services gets a $46 million boost to $1.039 billion, but the source of the boost isn't in the Community Mental Health Services Block Grant, but largely in Project AWARE (Advancing Wellness and Resilience in Education) to provide mental health first-aid training in schools. Although described as a $55 million component of a larger $130 million initiative to expand mental health treatment and protection, which includes $50 million to train 5,000 new mental health professionals and $25 million for the Healthy Transitions program (competitive grants for supporting youth and their families as they "navigate behavioral treatment systems"), President Obama actually called for $160 million for Project AWARE this past January, with the implication that that was the overall name of the effort. In large measure, Project AWARE and Health Transitions funds appear to be slated to go through state agencies.
- Medicaid: For all the talk about private insurers offering coverage through employers and on the state or federal health exchanges, the bulk of the coverage for very-low-income people will come from expanded Medicaid provided either directly by the federal government or in tandem with those states that choose to expand their own coverage to people and families up to 138 percent of the poverty level. Medicare and Medicaid get a $60 billion increase above FY2013 expenditure levels in the FY2014 budget. Although only three-fifths the size of Medicare, Medicaid gets the lion's share of the budget increase, over $37 billion, for a total Medicaid budget of $303.8 billion. Although between 57.4 and 57.5 million people received Medicaid assistance in FY2012 and 2013, the estimated number of beneficiaries in FY2014 is slated to increase to 65.7 million. Children are 50 percent of the people served by Medicaid, but consume only 20 percent of Medicaid expenditures; the lion's share, 44 percent, goes to the blind and disabled.
- Affordable Care Act: Medicaid expansion is a pillar of ACA implementation, but other components of the act are also in the President's budget and depend on the progress of his proposals through Congress. The budget calls for a substantial increase in the grants for health exchanges, from $167 million in FY2012 and $1.457 billion in FY2013 to $2.061 billion in FY2014. Unfortunately for nonprofits, the funding for nonprofit health care cooperatives under the CO-OP program is budgeted to decrease from $284 million in FY2013 to $230 million in FY2014. The Consumer Operated and

Oriented Plans—new private nonprofit member-governed health insurance providers—have received loans in 24 states of $1.98 billion, but the remaining appropriation for new CO-OP loans died in the fiscal cliff legislation, leaving only money for already committed loans to existing cooperatives and for HHS oversight. While the President's budget took aim at sequestration and other cuts that the Administration didn't like, it doesn't buck Congress's January 2013 blindsiding of the new nonprofit health insurance cooperatives. Since the cooperatives were meant to be a stopgap alternative to the full public option, it reads as though these precarious new nonprofit health insurers might not have been considered by the Administration as likely to be viable and competitive against existing private insurers and therefore not worth the effort of restoring their funding. If the Administration is backing away from the cooperatives, the nation moves further from any notion of the public option and closer to dependence on the array of private insurers whose practices led to so many millions of Americans living without health insurance coverage in the first place.

Concluding Observations

In this essay, the lack of coverage to other programs should not be seen as dismissive of their importance. To the contrary, federal programs such as the Ryan White HIV/AIDS program in HHS, the Housing Opportunities for Persons with AIDS (HOPWA) housing program in HUD, the Community Development Financial Institutions (CDFI) program in Treasury, the variety of foreign development assistance programs in USAID, and the unfortunate condition of the programs of the Department of Agriculture affecting nonprofits are all important. *Nonprofit Quarterly* will follow this article with an addendum on these programs as well as cross-cutting initiatives and the budget's revenue-raising plans through closing tax loopholes

It is hard to say how much of the President's budget will survive the congressional process, given House Speaker Boehner's and others' pronouncements that the proposals are DOA despite the President's obvious efforts to appeal to his conservative Republican critics with ideas on modifying the Social Security and Medicare entitlement programs.

Nonprofits are challenged to think about the budget as reality, even though there is no particular way of ascertaining which parts of the President's proposals, if any, might actually become templates for budget negotiations and decisions in Congress. The possibility, however slight, that this budget might return the nation toward a normal budgeting process, the so-called regular order, in which the federal budget becomes more than a backroom deal crafted among a handful of Congressional and White House leaders, should be an opportunity for the nonprofit sector to weigh in on the multiple arenas where nonprofits tap into the federal budget to benefit their constituents, clients, and communities.

National nonprofit "infrastructure" or leadership organizations may wish to convey the image of a unified nonprofit sector laser-focused on one budget item: the charitable deduction. In reality, the plethora of 1.1 million public charities, plus a few hundred thousand religious institutions, are a diverse lot. They may have a common interest in the charitable deduction, but there is a lot more in the federal budget that should be of importance to nonprofits.

The reality is that the nonprofit sector of today, particularly the nonprofit sector that addresses the needs of people ill-served by the free markets and people of wealth, is highly dependent on government spending programs and federal tax subsidies. The nonprofit voice—or, better put, the multiple voices of nonprofits—are hardly as powerful and influential on Capitol Hill as those of the moneyed interests. Consider this brief report on the President's budget proposal a call to action by the nonprofit sector, a call for civil society to speak up for the equitable treatment of individuals and families in need.

People can debate lots of issues concerning the federal budget—what it does for defense, innovation, international trade, arts and culture, business development, or anything else—but consider this. After four years of federal budget chaos, during which the nation's economy staggered and stagnated, the United States now contains 46.2 million people, around 15 percent of the population, who live below the federal poverty level according to the latest U.S. Census Bureau statistics, and more than one out of five children are officially poor. One-fourth of Latinos and more than one-fourth of blacks are below the poverty level.

Our society and our government should be measured on what they do for people in need. Pronouncements and bromides aside, the measures are seen in the contents of the federal budget. It reflects what we as a people believe should be established as priorities for the national fisc. To the extent that nonprofits recognize their fundamental roles as the instruments of American civil society, they had better weigh in and mobilize to make the federal budget one of equity, concern, and caring. That means, it should be clear, more than the deductibility of charitable contributions. Hopefully, when the President's budget gets a full airing in House and Senate committees, nonprofit sector leaders will weigh in as part of the "regular order" on much more than an unlikely 28 percent cap on the deductibility of charitable gifts.