

# **Funding Faith-Based Services in a Time of Fiscal Pressures**

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# Research Questions

1. What's happened to funding streams for social programs used by faith-based organizations (FBOs) given
  - State fiscal problems,
  - Long-run trends in social service spending
  - Federal budgets?
2. How have effects varied across states?
3. What are the prospects for the future?

# Definition of FBOs

- Encompasses many organizations, ranging from individual congregations to faith-affiliated nonprofit service organizations such as Catholic Charities, Salvation Army, Nursing Homes, etc.
- In this paper, FBO refers to both congregations and faith-affiliated nonprofits.
- Distinctions are made when applicable between “congregations” and “faith-affiliated” organizations

# Major Findings

1. Faith-based initiatives were launched at time when state and federal funds for services were more plentiful
2. Soon after, fiscal conditions deteriorated while needs increased
3. Funding sources most accessible to FBOs tend to be small, while less accessible programs are large and growing
4. TANF grants, a major source of funding for FBOs, are experiencing increasing competition
5. The growth of Medicaid spending is squeezing spending on non-health services accessible to FBOs
6. Spatial mismatch between the distribution of congregations and the availability of funding at the state level

# Sources of Information

- Administrative spending data for programs
- Census Bureau spending data
- Field research studies on social welfare spending
- Study on the role of FBOs in Medicaid
- FY 2005 proposed federal executive budget

# Potential Funding Sources for FBOs

- **Legislated Sources**

  - Temporary Assistance for Needy Families

  - Children and Family Services (including CSBG)

  - Substance Abuse and Mental Health Services

- **Administrative Initiatives**

  - Training and Employment

  - HUD Community Development Fund (including CDBG)

  - Social Services Block Grant

  - National & Community Service

  - Homeless Assistance Grants

  - Emergency Food and Shelter Program

  - Child Care

  - Commodity Donations/Assistance and Child Nutrition

  - Foster and Adoption Assistance

- **Health Care**

  - Medicaid

  - State Children's Health Insurance Program

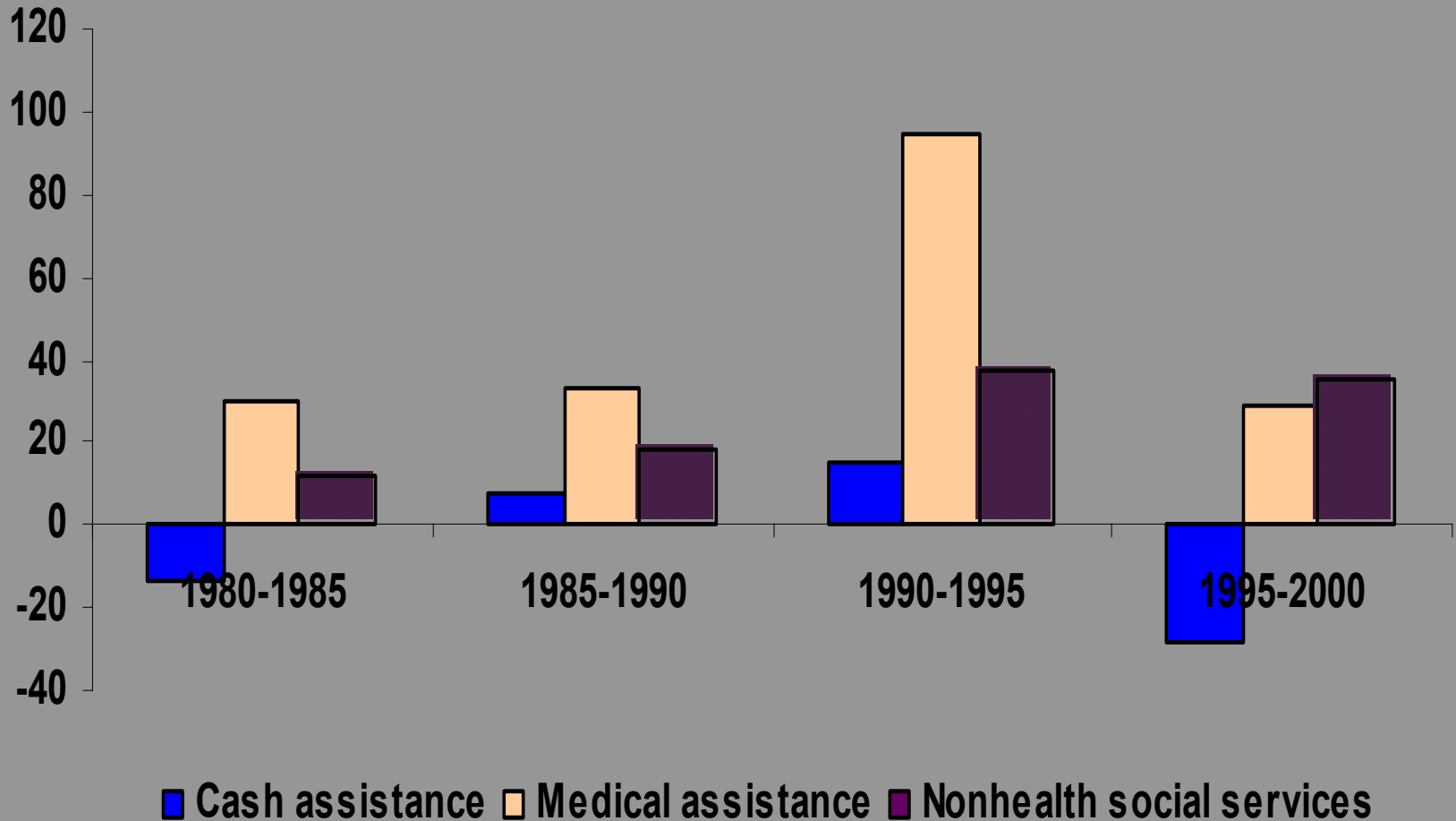
# How Does Access Relate to the Following Factors?

- Fiscal Boom and State Fiscal Crisis
- Federal Funding
- Shifts in Program Spending
- TANF Surplus
- Medicaid's Growth
- Spatial Relation of \$ and Congregations

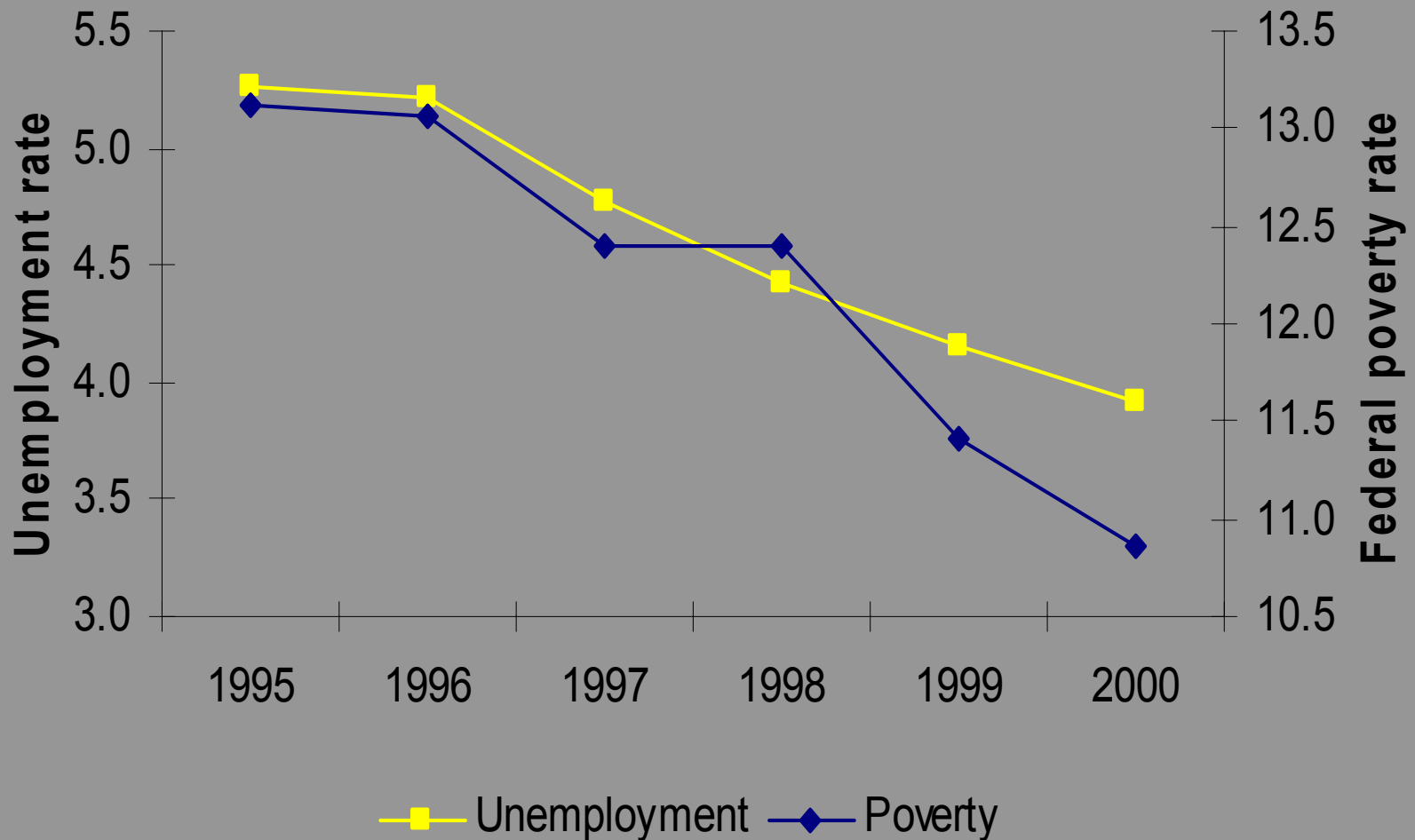
# **State Fiscal Conditions when FBO Initiatives were Launched**

*In the 1990's, when FBO initiatives at the federal and state levels were first launched, spending in program areas accessible to FBOs was expanding. This expansion was the product of short-run policy and economic developments.*

## Average percent change in real state spending per poor person; calculated for five-year periods, 1980-2000



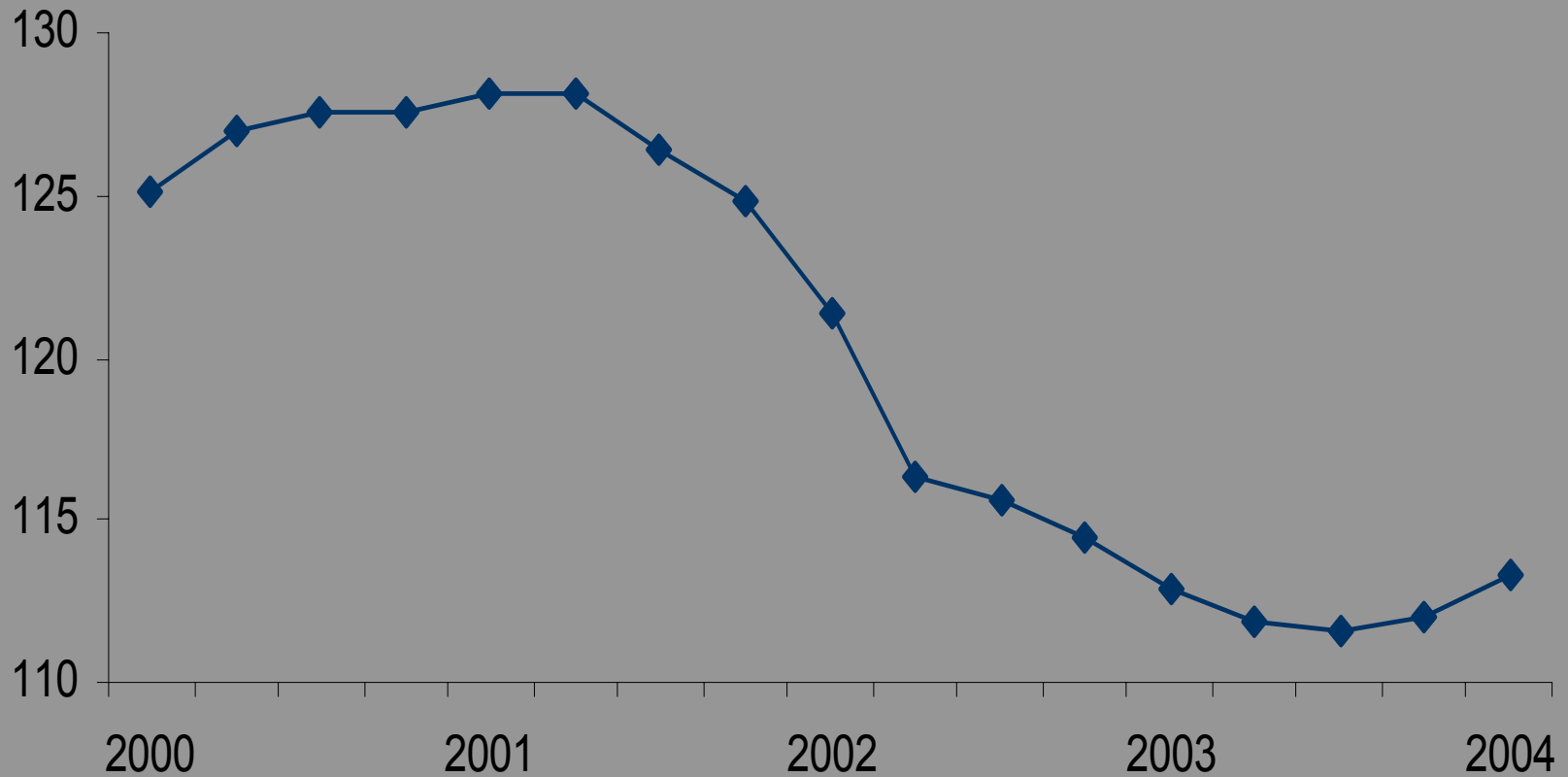
## Average state unemployment and poverty rates, 1995-2000



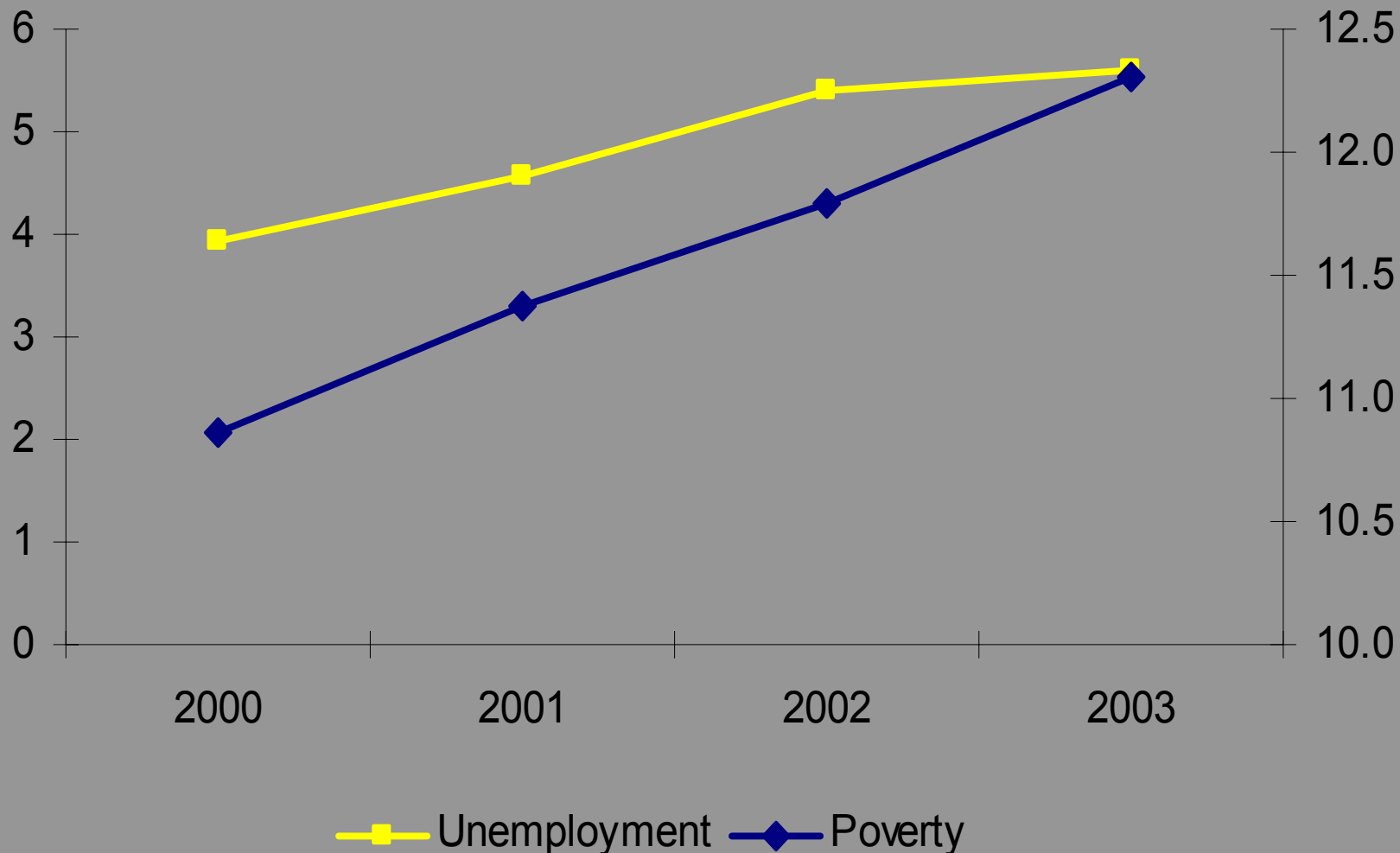
## **State Fiscal Conditions Since 2001**

*The relative surplus of state resources compared to social needs in the late 1990s has largely vanished. State fiscal conditions deteriorated rapidly after 2001 and have not fully recovered, although there have been several quarters of steady revenue growth.*

## Average state tax revenues, per capita; adjusted for inflation and standardized (1992=1000)



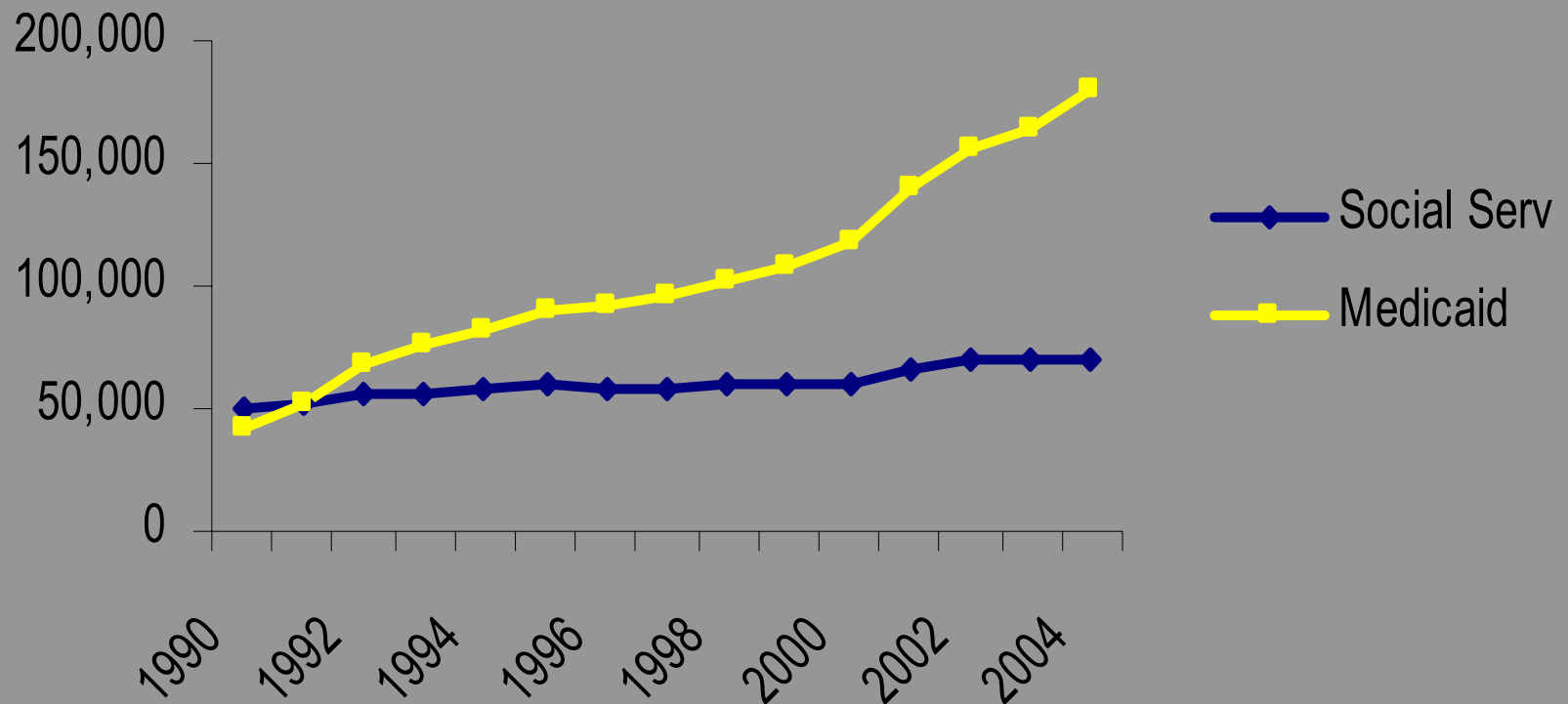
# Average State Unemployment and Poverty Rates, 2000-2003



# **Federal Spending Context**

*Federal funding streams most accessible to FBOs-that is programs where Charitable Choice efforts have been legislated or administrative barriers reduced-tend to be small and have shown little real growth in recent years.*

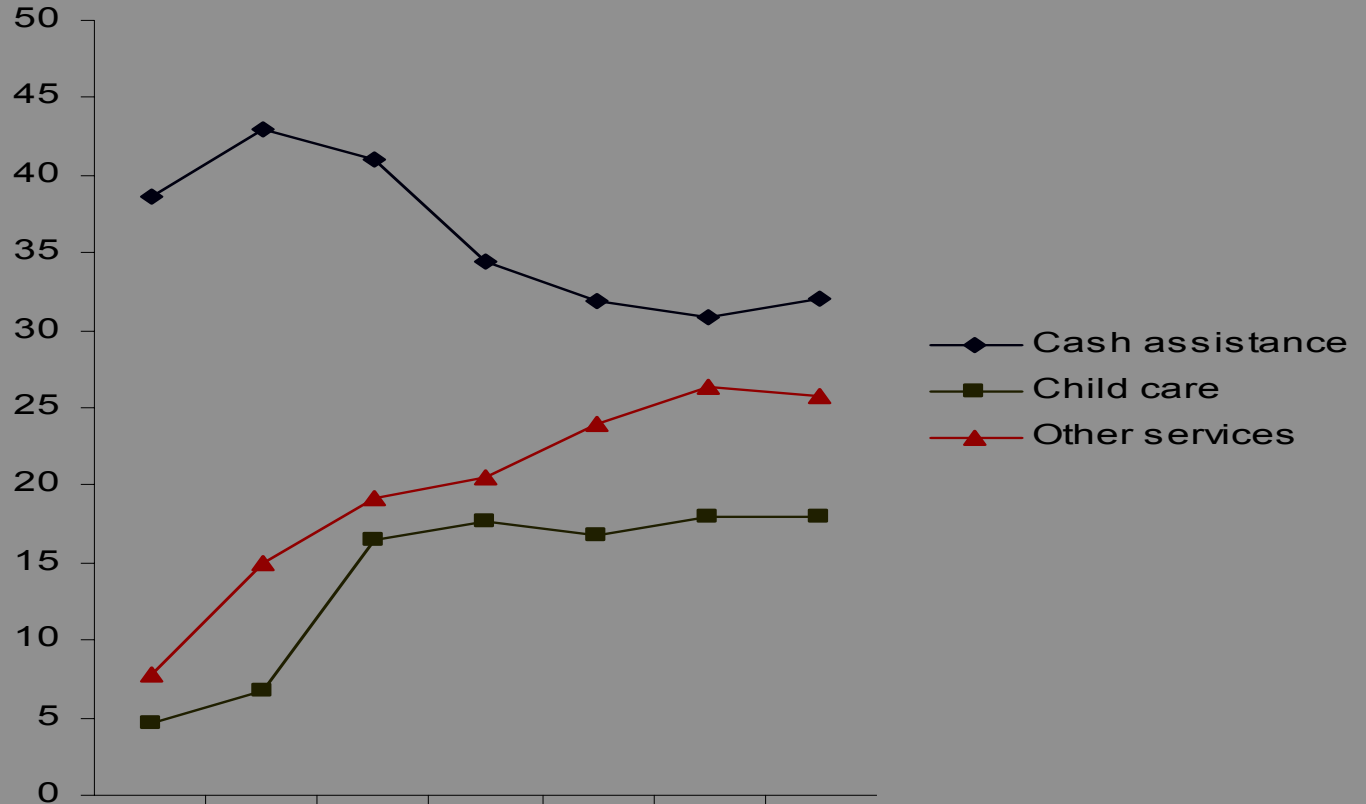
# Total Federal Outlays, 1990-2005, 14 Social Service Programs vs. Medicaid (In millions of dollars, adjusted for inflation)



# **TANF Surplus**

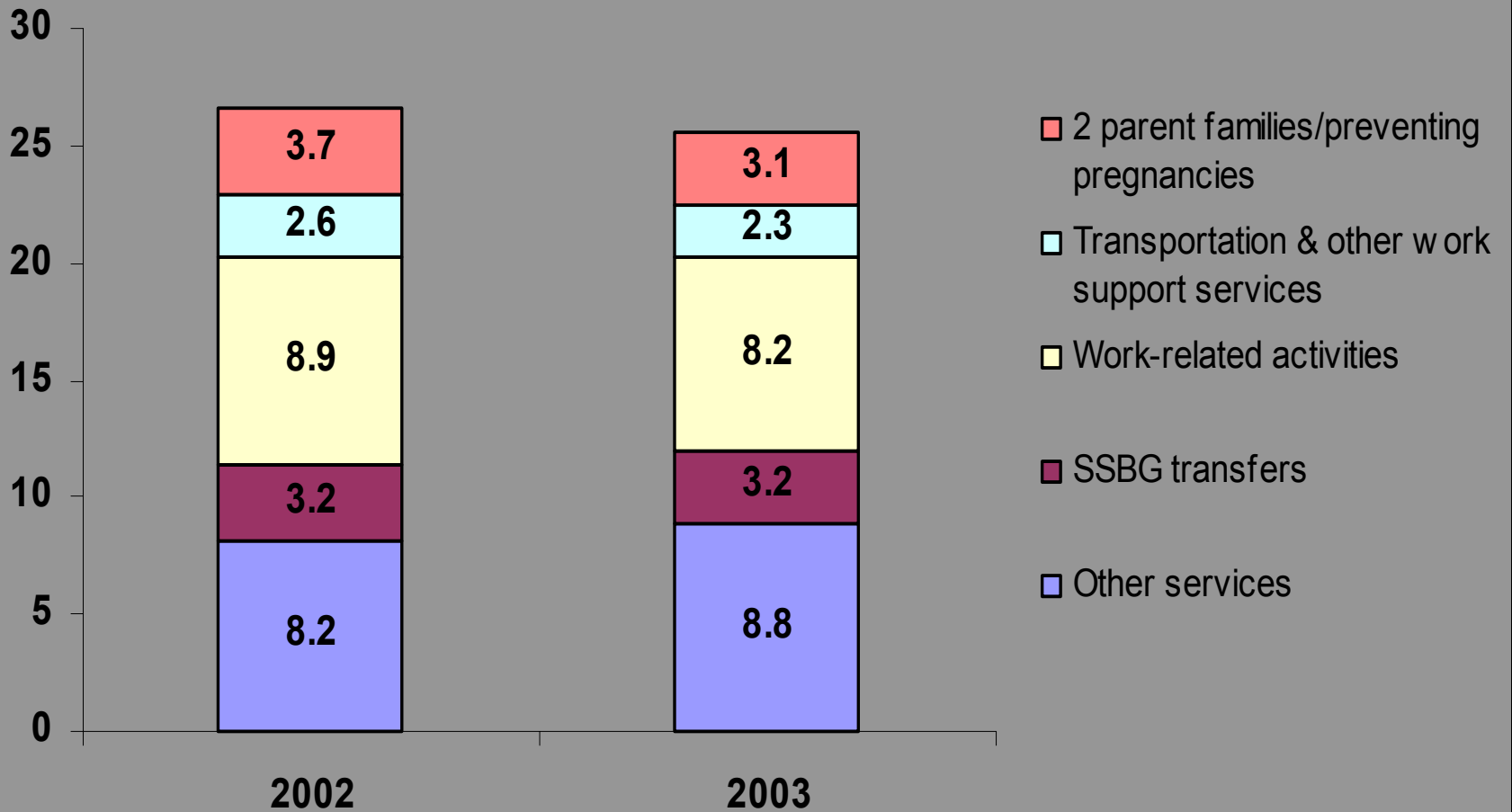
*One major potential source of funding for FBOs-the TANF block grant and related programs (including child care)-has experienced increasing competition for service dollars, due to short-run economic changes as well as longer-run developments in the program.*

**Figure 7**  
**Average (mean) per capita spending by states under**  
**TANF/MOE, by type of expenditure, 1997-2003**

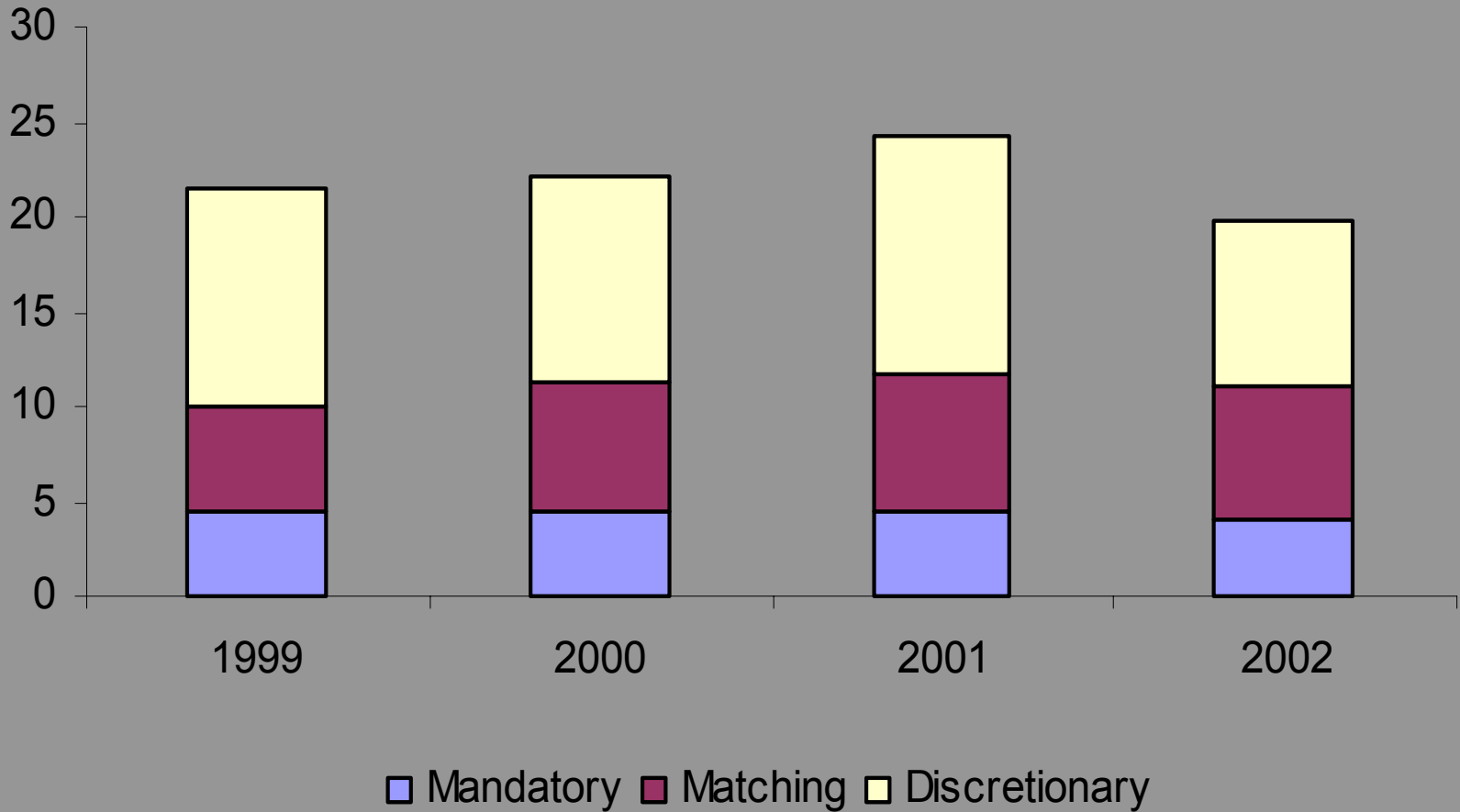


	1997	1998	1999	2000	2001	2002	2003
—◆— Cash assistance	38.6	43.0	41.0	34.5	31.9	30.9	32.0
—■— Child care	4.6	6.7	16.5	17.6	16.7	18.0	17.9
—▲— Other services	7.8	15.0	19.2	20.5	23.9	26.4	25.7

### Average (mean) per capita spending by states under TANF and MOE, services other than child care, 2000-2003



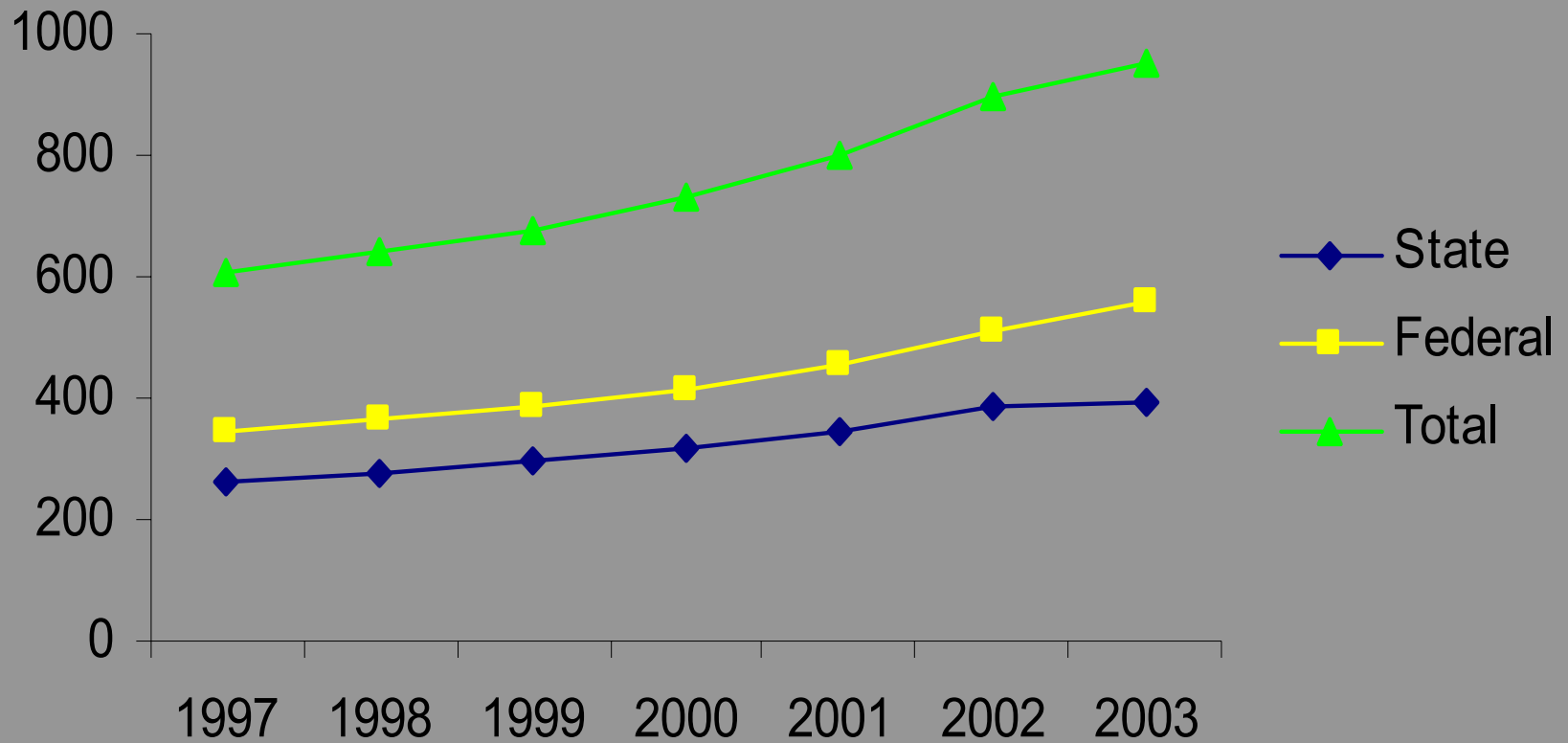
## Average state spending on child care (CCDF), per capita, by type of grant, FFY 1999-2002



# The Impact of Medicaid Spending

*Spending on Medicaid and related healthcare programs-which are not very accessible to FBOs-has increased substantially in recent years, despite the recession. This growth in Medicaid spending may, in some states, be squeezing expenditures on non-health services, which FBOs are more likely to provide.*

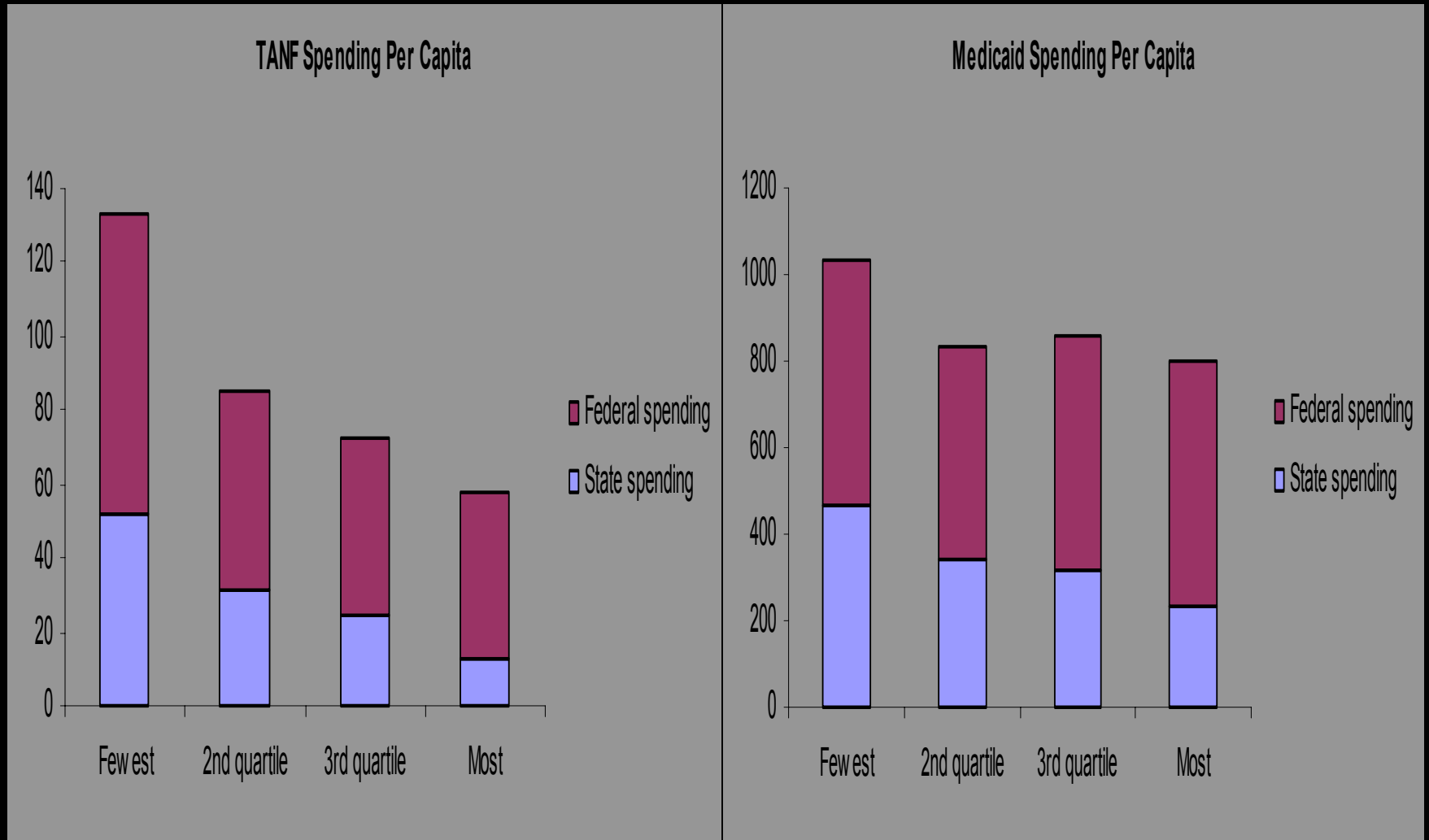
## Average state per capita spending on Medicaid, 1997-2003



# Spatial Distribution of Congregations

*Finally, from the perspective of faith-based institutions, and in particular, congregations, there is a spatial mismatch between their distribution across states and the availability of funding for social services. In states where congregations are most common, accessible funds are lowest.*

# Average Spending on TANF and Medicaid-from federal and state sources, by density of congregations in the states, FY 2002



# Looking to the Future

- *What will be the impact of the following factors on funding of faith-based social services?*
  - FY 2005 Federal Budget
  - Demographic Trends
  - Fiscal Trends

# Conclusions

## Challenges for FBOs

- Confluence of fiscal developments including the recession, slow federal program growth, reduced TANF surplus, and long run patterns in social welfare spending are not conducive to expansion of faith-based initiatives.
- Medicaid's growth, relative support, and inaccessibility to FBOs also impacts opportunities.

## Opportunities for FBOs

- Strong administrative actions at federal and state levels make it easier for FBOs to compete.
- FBOs can look to growth areas like healthcare – especially as care becomes more community-based.