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## Southern California nonprofits could feel pain from Washington spending cuts

Local nonprofit leaders fear for their groups, and their constituents, if federal money dries up



A woman walks along the railroad tracks in Sun Valley as she heads towards a homeless encampment on Friday, March 14, 2025. Government funding cuts threaten Southern California nonprofits, with leaders warning of rising homelessness and hunger. (Photo by Sarah Reingewirtz, Los Angeles Daily News/SCNG)



By **ANDRE MOUCHARD** | amouchard@scng.com | Orange County Register

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President Donald Trump and one of his favorite consiglieres, Elon Musk, have described charities and their leaders in dark terms, calling them everything from [“thugs and sleazebags”](#) to [“a gigantic scam.”](#)

Now, as the White House guides a GOP-led Congress to trim spending in the 2026 budget, those vibes could play out in tangible ways.

The Trump administration has been open about its desire to dramatically cut spending on many social programs, and a flurry of news reports last week from the [Washington Post](#) and the [New York Times](#), among others, revealed that internal discussions are calling for deep cuts at some of the nation’s biggest social service agencies, such as Health and Human Services and Housing and Urban Development, by more than 30%.

Cuts at that level could devastate local nonprofits that use federal money to provide much of the region’s social safety net. Leaders of those nonprofits predict that if cuts happen at levels they’re hearing about, some very basic social woes – including homelessness and hunger – could spike to previously unimagined levels.

“I don’t think it has hit people who aren’t in the nonprofit world exactly what is on the line,” said Taryn Palumbo, executive director of Orange County Grantmakers, a Newport Beach-based group that connects private and corporate philanthropists with nonprofits.

“Sometimes, I think there’s a misperception that private funding will keep things going. But the reality is that government funding isn’t really replaceable,” she said.

“The losses will be felt by the entire community,” she added. “Whether you use these services or not.”



1 of 3

In this 2021 file photo, Meals on Wheels volunteer Christine Edwards (left) delivers a meal to a client at her La Verne home. Government funding cuts threaten Southern California nonprofits, with leaders warning of rising homelessness and hunger. (Photo by Will Lester, Inland Valley Daily Bulletin/SCNG)



2 of 3

A Head Start student has a meal at a Riverside elementary school in 2015. The Trump administration is proposing to cut funding for Head Start, affecting early education for over half a million low-income children. (Kurt Miller, Riverside Press-Enterprise/SCNG)



3 of 3

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A lot of data backs that up.

For one, government spending really does drive many local charities. Federal money – either directly from Washington or in the form of federal dollars allocated to states and counties – accounts for about 27% of the funds used by nonprofits in California. Last year, that translated into roughly \$25 billion for groups in Southern California.

Those nonprofits, in addition to helping vulnerable people, also are key to the overall economy.

At last count (late 2023), there were 12,374 nonprofits in Los Angeles, Orange, Riverside and San Bernardino counties, according to California’s Employment Development Department. Combined, those groups and organizations (including many hospitals and all public universities) accounted for about 1 in 10 local jobs, including more than 383,000 in Los Angeles County and more than 296,000 in Riverside County.



But many those jobs are vulnerable to economic shifts. Deep cuts in Washington could translate into lost jobs in Southern California and, perversely, more local demand for charitable services.

Such federal cutbacks might be particularly tough to swallow in liberal-leaning California. Last year, taxpayers in the state sent about [\\$83 billion](#) more to Washington, D.C., than the state received in federal spending, making California one of three states to be a net contributor to the federal budget.

But local nonprofit leaders, many of whom declined to speak on the record because they fear their agencies could be targeted for financial reprisal, said there's another issue at stake: attitude.

"What's coming won't be like the pandemic, it'll be worse," said an executive who helps run a housing agency in Los Angeles County and requested anonymity.

"At least, during the pandemic, and even during the recession of 2008, the federal government stepped up with aid packages to help everybody. The thinking was that government could and should help people.

"This time, that mindset isn't there," he added. "This time, it feels like the goal is to punish."

## **Lifeblood?**

Trump has said he wants to reduce spending as a way to finance tax cuts. If so, he wouldn't be the first president, Republican or Democrat, to whack the social safety net to put money in taxpayer pockets.

Ronald Reagan and Bill Clinton, among others, reached similar conclusions, saying they were trimming spending to help their constituents, taxpayers. Clinton even ran a federal government that, on an operating basis, didn't spend more than it took in, in part because his administration trimmed 250,000 federal jobs and scaled back welfare and other federal programs.

But critics of the Trump administration's plans point out that if fiscal discipline was the order of the day, the administration wouldn't be trimming roughly 1 in 5 jobs at the Internal Revenue Service, which will translate into lower revenue. Also, much of the budget chopping is aimed at social and health programs that other presidents, including Republicans, have left in place because they save money over time.

Even Head Start, a federal program [reportedly on the cutting block](#), has received bipartisan support since the 1960s because studies show spending on preschool children translates into less spending on needy adults.

For now, local nonprofit leaders say they, too, are worried about constituents; people who are helped directly by social services.

They say the agencies targeted for deep cuts – including HHS, HUD and [Medicare](#) – finance previously uncontroversial programs like free food for children and the elderly, rent vouchers for the unhoused and money to help families pay for nursing home care.

Changes in that last item, in particular, could land hard in middle-class households. Nursing home expenses in Southern California can run more than \$100,000 a year, and federal money, through Medicare and Medicaid (known in California as Medi-Cal), helps offset those bills for hundreds of thousands of families.

In many households, the issue is becoming acute, as demographic shifts mean millions of aging baby boomers are reaching a stage of life where they need trained help to get through their day. That help comes from people who come into their homes, or by taking up residence in an assisted living facility or nursing home, or from family members. That care typically is financed by a combination of retirement savings, money from adult children and government assistance.

Subtracting from any part of that equation could change millions of lives.

"We might, literally, go bankrupt," said Anita Robbins, an Eagle Rock nurse whose mother-in-law has been in an assisted living home for nearly two years.

"We both work. We both save. We don't run around taking big trips," Robbins said, referring to herself and her husband.

"But if that (assistance) gets taken away, we would have to re-do everything. I guess I'd stay home, but it would be crazy.

"I can't imagine any president, even one I don't like, would think it's smart to do that," she added.

Older people, in general, are vulnerable to federal spending cuts. Only about 2% of private philanthropy goes toward programs and services specifically aimed at that segment of the population.

For people who run nonprofits in that sector, federal money – which for them typically comes from Health and Human Services – is essential.

"We're very grateful for (federal) funding. And it's encouraging to hear when people do step up and advocate for continued support for older adults," said Lisa Wright-Jenkins, chief executive of Council on Aging Southern California, a nonprofit that helps about 100,000 older people (and their families) in Riverside, San Bernardino, Orange, Mono and Inyo counties.

The agency uses federal money, either directly or indirectly, to provide or oversee everything from dementia assistance referrals and Medicare evaluations to ombudsman programs at local nursing homes.

"Without (federal money), we'd face trouble," Wright-Jenkins said. "It's our lifeblood; absolutely critical."

## **Rescue?**

In past tough times, nonprofits have been able to get at least some extra money out of other sources of charitable funding, wealthy people and companies.

This time might be different.

A key reason why is the stock market. Equities and charities are tied at the financial hip, nonprofit leaders say, with boom times in the stock market providing the extra cash (and the need for a tax deduction) to well-heeled donors.

But this year, so far, has not been a boom time for U.S. stocks. While Trump's tariffs (10% across on products from most countries and [an estimated 245%](#) on goods from China) are only just starting to play out across the broader economy, they already seem to be an anchor on domestic equity markets. Between April 3, when Trump announced a since-scaled-back tariff plan, and the close of trading on Friday, April 18, the Dow Jones Industrial Average and the NASDAQ exchanges each lost more than 7% of their value.

Nonprofit leaders say there's another issue at play: diversity, equity and inclusion.

Most nonprofits have embraced diversity efforts in recent years, particularly in the wake of the 2020 protests following the police killing of George Floyd. And last year, when former President Joe Biden signed an executive order to restore DEI programs in federal agencies, many charities also talked up their DEI efforts when seeking federal money.

Trump, who has argued that DEI is a form of racism aimed at White people, moved quickly to change that. During his first week in office, he signed executive orders that specifically forbid federal money from going to any agency or nonprofit that embraces DEI.

It's unclear if local nonprofits have discontinued any internal work to hire and keep a diverse workforce. But at least some high-profile groups have scrubbed references to DEI from their websites.

The anti-DEI sentiment has a possible add-on effect for nonprofits – driving off some corporate donors who fear what might happen if they step in to breach funding gaps. Many companies do business with the government, and any connection to an agency deemed overly DEI-friendly – including a charitable donation – might reduce that company's ability to work with the Trump-led federal government.

Though it's unclear if that has played out yet, several nonprofit executives said that DEI has become a difficult topic for many corporate donors.

Broadly speaking, nonprofit leaders say the cycle they expect – less money from Washington and local donors, and more need based on a slowing economy – echoes recent bouts of economic ugliness, such as the 2008 recession and the earliest months of the COVID-19 pandemic.

Those didn't always have happy endings. Leaders of food and housing agencies say the 2008 recession, in particular, resulted in rising hunger and more homelessness.

"It was a difficult cycle. And I could see that happening again," said LaVal Brewer, president and CEO of South County Outreach, which provides everything from food to financial literacy classes to Orange County residents south of the 55 Freeway.

"It's not like there's some silver lining to all this."

Others agree, but say stress – even when it feels like it's a result of politically sparked turmoil – can force improvements.

"The charitable food network of last resort, which includes the food banks that serve as de-facto distributors, who get food to pantries and agencies and homeless shelters and churches, at no cost – is about to experience a massive jolt," said Mike Learakos, chief executive of Abound Food Care, a Santa Ana-based agency that helps food pantries and similar nonprofits around Southern California improve their programs to get more food to more hungry people.

"How everybody handles that jolt, regardless of how it started, is what's going to be the big difference in how we look a year from now or after."