

Collaborations

EXECUTIVE SUMMARY

A Report on Charitable Choice Implementation in 15 States

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Catalogue

OVERVIEW

This report is the first in a two-part series to be published by Hudson Institute's Faith in Communities initiative to shed light on the question of government-faith community collaboration in providing social services among the poor. The full *Collaborations Catalogue* (available online at www.hudsonfaithincommunities.org) can be thought of as the "just the facts, ma'am" document. The aim here is to provide a listing, as comprehensive as possible, of examples of contracting between government social welfare entities and faith-based organizations (FBOs) in 15 states: Arkansas, California, Colorado, Florida, Illinois, Indiana, Massachusetts, Michigan, Mississippi, New York, Ohio, Oklahoma, Texas, Virginia, and Wisconsin.¹ The report builds upon my earlier study of Charitable Choice implementation, *The Growing Impact of Charitable Choice: A Catalogue of New Collaborations Between Government and Faith-Based Organizations in Nine States* (Center for Public Justice, March 2000).

Our second report, to be published in summer 2002, will summarize the findings of the first major survey of FBOs contracting with government under Charitable Choice. The survey, to be conducted jointly by Hudson and the Bliss Institute at the University of Akron, will aim to explore more analytically how these new collaborations are functioning.

"Charitable Choice" is a better-known phrase now among policy makers, the faith community, and the general public than it was during 1998 and 1999, when the research for the original nine-state tracking report was conducted. This is due in large measure to President George W. Bush's "faith-based initiative," a signature domestic policy.

It is important to note that the initiative has always been about much more than legislation. For example, it has spurred an audit of the five major cabinet departments with social welfare responsibilities, to identify and reform any procedures or practices that effectively discriminate against FBOs and community-based organizations (CBOs); it seeks to build capacity among FBOs and CBOs; and it focuses on encouraging greater private investment in these organizations. Nonetheless, the media's attention is grabbed by what happens on Capitol Hill, and so the initiative's legislative fortunes have been the primary focus of scrutiny.

H.R. 7, “The Community Solutions Act of 2001,” attempted to embody the initiative’s legislative goals. One was the expansion of the Charitable Choice guidelines to additional federal funding streams. The guidelines, which seek to facilitate effective collaboration between faith-based organizations (FBOs) and government entities by defining the rights and responsibilities of FBOs,² currently regulate just four government programs: Temporary Assistance to Needy Families (TANF); the Department of Labor’s Welfare-to-Work funds (WtW); the Community Services Block Grant (CSBG); and the Substance Abuse and Mental Health Services Administration (SAMHSA). Proponents of Charitable Choice would like to see the guidelines attached as well to a wider range of government social welfare programs, including those involving affordable housing, juvenile justice, at-risk youth education programs, and the like.

During congressional hearings on H.R. 7, critics of the bill frequently posited that it was unwise to expand the Charitable Choice guidelines when, in their opinion, little was known about “how it was going” in terms of implementation and the satisfaction levels of public officials and FBO leaders engaged in government contracting. The *Collaborations Catalogue* and our forthcoming survey of FBOs currently contracting with government under Charitable Choice will, hopefully, shed light on this question.

The *Catalogue* provides the broadest snapshot of Charitable Choice implementation to date. The 15 states surveyed are diverse in terms of geography, size, the design of their state welfare reform plans, and the level at which they have embraced the task of reaching out to FBOs and CBOs in the struggle to serve low-income families effectively.³ In total, we identified 726 contracts with FBOs, totaling \$123,784,621. Taken together, these fifteen states offer an informative look at the nation’s new experiments in tapping the resources of the faith community in the public effort to fight poverty.

Two crucial caveats need to be mentioned, however, regarding the data collected.

First, we make no claim of “universal coverage.” That is, it is almost certain that there exist many more examples of financial contracts between FBOs and government entities under the TANF, WtW, CSBG, and SAMSHA programs than we have uncovered and listed in the *Catalogue*. This is because of the sheer magnitude of the research task; our limited resources of time and staff; and the incredibly diverse manners in which different state and local government agencies keep records of their contracting activities. State officials in only a very few instances had the capacity to generate a comprehensive list of contracts with FBOs for us, and these were typically limited to TANF contracts. Where applicable, our research team attempted to contact every county department of social services (or comparable agency) in the state, to enquire what each county was doing in terms of collaboration with the faith community. By the time of the deadline for our data collection period, we had rarely heard back from every county official contacted. In other states, tracking the implementation meant attempting to contact as many regional workforce development boards as possible (since these boards sometimes had authority to distribute both TANF and WtW funds). In addition, in states that have privatized welfare service delivery in various cities or regions, we attempted to contact the “local service providers” (nonprofit and sometimes for-profit organizations that hold huge state contracts to operate welfare reform programs) to identify instances of their subcontracting with FBOs. We also contacted, in certain instances, state departments of health and juvenile justice in efforts to identify SAMHSA contracts and, as often as possible, contacted networks of community action agencies to gather information on FBOs holding CSBG contracts. Not all these efforts proved fruitful; some we were unable to complete with ideal thoroughness due to time constraints; and some generated only partial rather than comprehensive information. In short, our research team engaged in an exhausting amount of “detective work” to find as many contracts as possible, but we know

we did not successfully identify every active contract regulated by Charitable Choice that exists in the fifteen states.

Second, it is vital to remember that only collaborations funded with TANF, WtW, CSBG, or SAMHSA funds are listed here.⁴ An exceedingly wide range of government-faith collaborations exists, funded by all manner of other federal, state, and local dollars not regulated by the Charitable Choice guidelines. Simply put, the picture presented in the *Catalogue* is only a slice of the total reality, as thousands of FBOs currently contract with government for social services under other funding streams (e.g., Community Development Block Grants from HUD or Weed and Seed grants from the Department of Justice). Nonetheless, some of the most interesting and innovative examples of government-faith collaboration in the era of welfare reform are found in this slice.

FINDINGS SINCE THE ORIGINAL NINE-STATE STUDY

While the *Collaborations Catalogue* could be read side-by-side with the earlier nine-state tracking study, there are a few differences. The earlier study put more effort into identifying not only examples of financial collaboration, but also those of nonfinancial collaboration. The *Catalogue* includes some listings of nonfinancial partnerships, but the research team had little time for identifying these since so much effort was poured into identifying financial contracts. Second, the earlier study provided some information which the new report does not (specifically, detailed information on whether or not the FBO was new to the process of government contracting,⁵ comprehensive information on the genesis of the collaborations, and opinions of government officials and FBO representatives regarding client satisfaction and church-state issues). The *Catalogue* touches on these matters only sporadically, because they will be covered in detail in the forthcoming survey of FBOs.

Several observations can be made about today's situation "on the frontlines" of govern-

ment-faith interface in comparison to that which existed at the time of the original study:

- 1) *FBOs under contract with government entities are providing a greater diversity of social services.* The contracts listed in the *Catalogue* underwrite nearly 40 distinct services—running the gamut from job training to emergency medical care to fatherhood classes to GED instruction, IDA (Individual Development Account) savings programs, summer youth camps, immigrant services, and domestic violence prevention initiatives. This is compared to only about seven main categories of service identified in the earlier study. Perhaps most importantly, numerous contracts listed in the *Catalogue* underwrite programs for children and youth (e.g., mentoring, alcohol/drug prevention, and after-school tutoring). No such contracts were identified in the earlier study; then, all services were targeted to adults (or to pregnant teens). Particularly in states that have enjoyed a "TANF surplus," the types of services purchased from FBOs are diverse. Apparently, such states have used their surplus dollars to try new, creative, "pilot" ventures, and they have broadened the definition of what constitutes a legitimate expenditure of TANF dollars.
- 2) *Financial contracting has increased in nearly all of the nine states originally examined.* As indicated in Chart 1, in eight of the nine originally surveyed states, collaboration has dramatically increased: in California, for example, from 11 contracts to 107 and in Michigan from 9 contracts to 129. Wisconsin has increased its financial collaborations with FBOs tenfold, from 10 to 101 contracts. In Mississippi, no financial contracting was uncovered either in the 2000 study or in this present one.
- 3) *FBO contracts underwritten with all four Charitable Choice-regulated funding streams were found, whereas in the initial study, only TANF and WtW contracts were discovered.* This is not surprising, since, during the time the ini-

Chart 1: Contracts in Nine States: 2000 vs. 2002

State	# of Contracts, 2000 Study	# of Contracts Now	\$ Total 2000	\$ Total 2002
CA	11	107	\$1,887,608	\$15,655,024
IL	7	69	\$1,819,500	\$6,209,743
MA	3	22	\$320,000 ⁹	\$6,809,692
MI	9	129	\$744,470	\$21,858,717
MS	0	0	0	0
NY	7	32	\$1,860,705	\$9,060,873
TX	4	19	\$130,449	\$18,276,912
VA	3	6	\$114,568	\$2,381,711
WI	10	101	\$686,167 ¹⁰	\$8,236,560
Totals	54	485	\$7,563,467	\$88,489,232

tial research was conducted, the Charitable Choice guidelines had been only very recently attached to the CSBG program, and SAMHSA was passed after the research was concluded. As the *Catalogue* shows, however, it is still the case that the vast majority of FBO contracts are funded through the TANF program.

- 4) *Far more individual congregations are involved in government contracting than was the case in the initial report.* Of the 587 organizations listed in the *Catalogue*, fully 22 percent are churches (as opposed to faith-based, 501c3 nonprofit organizations). In the original study, only 3.5 percent of the FBOs contracting with government were congregations.⁶ In the current study, we found that, typically, congregations hold contracts in smaller dollar amounts than do faith-based nonprofit organizations. There are, nonetheless, several instances of churches with large (over \$100,000) contracts.
- 5) *There are currently fewer examples of indirect financial contracting with FBOs via strategic intermediary organizations than was the case in the original tracking study.* We were unable to determine, based on the information available, why this is so.

- 6) *Frequently, contracts are being written with “new players” (FBOs with no previous history of government contracting).* Based on the information we gathered, in approximately 75 percent of the cases, we had sufficient knowledge on which to base a reasonable hypothesis as to whether the FBO could be categorized “new” or “traditional.” Of those we could categorize, slightly over half were “new” players. Our tentative conclusion is that the current data suggests a continuation of the trend, noted in the earlier report, of increased government contracting with nontraditional FBOs. (The forthcoming survey of FBOs includes questions specifically designed to ascertain with certainty whether an FBO is “new” or “traditional,” so our future report will document this more thoroughly.)

What is the significance of this finding? One possibility is that at least one goal of Charitable Choice—creating a more level playing field for FBOs to compete with secular entities for government contracting opportunities—is advancing. Another possibility is that more FBOs have been encouraged to enter the competitive process—either by the “faith-friendly” rhetoric of the post-Charitable Choice era or the specific invitation of government agencies. A third is that government agencies are choosing faith-based providers more frequently because they

believe such groups have a special “value-added” to offer, whether that is an inner-city church’s ability to perform outreach and recruitment functions among clients “slipping through the cracks” or a faith-based drug rehabilitation program’s impressive success rates.

- 7) *In several states, a variety of special faith-based initiatives not connected specifically to Charitable Choice are underway to increase government-faith collaboration.* In California, for example, the governor set aside \$50 million in state funds to underwrite a competitive grants program for FBOs engaged in workforce development services (the “Governor’s Faith-Based Initiative”). In Florida, the mayor of Orlando has pioneered an innovative \$50,000 grants program for FBOs that partner with local neighborhood associations in initiatives to address local needs (such as educational and recreational programs for at-risk youth). The Florida state legislature has also instructed regional workforce development boards to spend at least 15 percent of their Workforce Investment Act (WIA) youth funds in contracts with FBOs. And Michigan has launched a multi-million dollar Individual Development Accounts (IDA) program that will work closely with faith-based credit unions. Perhaps all this new activity would have occurred in the absence of Charitable Choice and George W. Bush’s “pro-faith” bully pulpit (as governor, candidate, and President), but it is unlikely.

PROGRESS, YET REMAINING CHALLENGES

Generally, state and local government officials are more aware of the Charitable Choice guidelines today than they were in 1998 and 1999, when the original nine-state research was conducted. This time, the research team encountered fewer queries of “charitable *what?*” than I faced four years ago. Several of the states (CO, IL, NY, OH, OK, TX, VA) have appointed state, regional, or local “faith community

liaisons” to oversee efforts to reach out to FBOs and engage them in financial and nonfinancial collaborations. (In 1999, only Illinois and Texas had done so.) Indiana has established “Faithworks Indiana,” a technical assistance office connected to the state Family and Social Services Administration, to educate FBOs as to government contracting opportunities. Texas, Colorado, Ohio, and Oklahoma have sponsored statewide conferences bringing together government officials and faith community leaders to learn about welfare reform and opportunities for collaboration in serving needy families. State officials in Arkansas are currently planning such an event. Illinois’ Department of Human Services has launched an initiative for broadening its connections to FBOs and houses of worship; in addition to other activities, its “Partners for Hope” program sends newsletters to hundreds of such groups informing them of DHS “happenings” and policies and soliciting their engagement in local strategies to assist families on welfare. Virginia’s new state faith-community liaison, Jane Brown, has traversed the state throughout 2001, speaking at numerous local forums bringing together welfare officials and faith community leaders. In 2001, Florida’s state workforce development board commissioned a study and report offering recommendations for increasing collaboration between FBOs and One Stop Career Centers. Through all these initiatives and more, most of the fifteen states are actively (though to varying degrees) seeking connections with FBOs in order to broaden and enhance social services for their low-income citizens.

Despite such efforts, though, a major problem remains in facilitating fruitful collaboration: the continued failure of government agencies to codify the specific Charitable Choice provisions in their contracts with FBOs. This was noted as a problem in the original tracking study, and, as far as we can tell from the preliminary data gathered, little progress has been made on this issue. We should know more about this after the survey of FBO representatives is concluded later this spring.

Only about one-third of the states (Texas, Michigan, Indiana, and Illinois) have made notable progress in establishing systems to track government-faith collaborations. This is an item on the “to do” list for New York, and four states (Arkansas, California, Oklahoma, Virginia, and Wisconsin) have attempted informal surveys of their agencies/localities to determine the extent of faith-based contracting. It does not appear that this task is “on the radar screen” for the remaining states.

Other challenges to the full implementation of wide-scale, fruitful government-faith community collaboration remain as well. As noted earlier, some states enjoyed additional resources from their TANF surpluses and used these to fund pilot programs with FBOs. In a tighter economy, such “extra” funds are hard to come by, leading to the termination of these ventures (this scenario has played out in Ohio). Generally, in the atmosphere of budget constraints, creativity and flexibility can suffer, and this may slow government efforts to engage FBOs. Moreover, some public officials and faith leaders remain unclear about the church-state issues raised under Charitable Choice. Generally, we found govern-

ment officials with responsibilities for TANF-funded programs to be more knowledgeable about Charitable Choice than were public officials with authority over WtW and SAMHSA projects. Whether or not CSBG funds will be used extensively for contracting with FBOs is an open question; thus far, community action agencies in the 15 states examined appear to have been slow or even reluctant to change the way they do business as a result of the Charitable Choice guidelines being attached to CSBG dollars.

WHAT KIND AND HOW MUCH COLLABORATION IS THERE?

In the fifteen states studied, we uncovered 726 examples of financial collaboration totaling \$123,784,621⁷ (see Chart 2). Ohio, California, Michigan, and Texas lead the way in terms of dollars invested. Ohio, Michigan, and Wisconsin hold the most contracts. As noted earlier, direct contracts (93 percent) far outweigh indirect financial collaborations (7 percent). Approximately 30 percent of the contracts were small (under \$25,000); 33 percent were medium-sized (\$25,000-\$99,999); 25 percent were large (\$100,000-\$499,999); and 9 percent were very large (over \$500,000).⁸

CHART 2: STATISTICAL HIGHLIGHTS

State	FBOs	Church	Nonprofit	New	Old	Unsure	Contracts	Direct	Indirect	Total Dollars	Small	Med	Large	Very large
AR	25	16	9	18	0	7	27	27	0	\$533,315	25	1	1	0
CA	80	11	69	25	33	22	107	107	0	\$15,655,024	20	47	22	10
CO	12	0	12	3	3	6	19	19	0	\$1,013,493	6	11	2	0
FL	14	1	13	7	5	1	15	13	2	\$4,173,493	1	7	3	3
IL	68	38	30	36	12	20	69	7 ¹¹	0	\$6,209,743 ¹²	1	3	2	1
IN	9	2	7	4	0	5	9	9	0	\$2,158,400	0	1	8	0
MA	21	1	20	1	16	4	22	22	0	\$6,809,692	3	10	8	1
MI	76	5	71	18	51	7	129	129	0	\$21,858,717	38	34	38	19
MS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NY	30	13	17	18	10	2	32	15	17	\$9,060,873	4	8	13	7
OH	131	29	102	54	38	39	163	162	1	\$26,735,762	42	63	46	12
OK	8	0	8	4	1	3	8	5	3	\$680,926	1	5	2	0
TX	14	0	14	3	9	2	19	19	0	\$18,276,912	2	2	12	3
VA	6	1	5	4	2	0	6	5	1	\$2,381,711	1	3	0	2
WI	93 ¹³	13	79	28	42	22	101	79	22	\$8,236,560	55	27	9	4
Totals	587	130	456	223	222	141	726	618	46	\$123,784,621	199	192	166	62

CONCLUSION

Overall, the findings indicate that most of the 15 states examined truly are doing social welfare business in a new way. Often, government entities have contracted with new partners, FBOs that had not worked with them previously in formal contractual relationships. More often than not (66 percent of the time), government agencies are writing small and mid-sized contracts (under \$100,000)—a scale that permits the involvement of smaller, grassroots FBOs. More often than just two years ago, governments are turning to FBOs as partners in efforts to fight poverty. Contracts are being written for a wider diversity of social services, offered to a broader range of clients (children, youth, welfare recipients, the working poor, the low-income elderly, refugees/immigrants). One particularly interesting finding is the fact that local governments are increasingly looking to congregations for help in dealing with especially thorny welfare cases. In New York City and Syracuse, for example, churches are working with welfare clients sanctioned under the state's work requirements. Churches are assessing why clients aren't working, and are helping them to overcome those barriers, secure employment, and lift those sanctions. This activity parallels that being done in California and Ohio, where churches are being asked to find needy people who have fallen through the cracks. These states recognize that church leaders in distressed neighborhoods know where to find hurting people and how to win their trust.

Even in states with a limited amount, overall, of government-faith community collaboration (e.g., Arkansas), the activity that is underway is

new and different: churches and not just faith-based nonprofits are being engaged. A few years ago, New York's experimentation with faith community partnerships was limited. Today, the \$6.4 million Charitable Choice demonstration project in New York City is engaging many "new players," and elsewhere in the state, counties have diversified their contracting (from huge contracts with traditional agencies to contracts of varying sizes with both traditional and nontraditional FBOs). Other states, such as Massachusetts, are continuing primarily to contract with large religiously affiliated social service providers, but are doing more FBO contracting overall. A few states (Virginia, Colorado, and Florida) have only a modest amount of activity underway currently, but have taken specific steps to position themselves to do more faith-based collaborations in the future (e.g., by assigning faith liaisons, holding conferences, or earmarking funds for FBOs).

Compared with the total amount of dollars available for contracting under the TANF, WtW, CSBG, and SAMHSA programs, \$123 million of FBO collaborations is modest. But it is an exponential increase over what was happening just two to three years ago. And it—combined with many other signs (special state or local "faith-based initiatives," new outreach endeavors, state-sponsored training conferences and regional seminars, appointments of faith liaisons)—is indicative of an attitude of eagerness by public officials to engage the faith community in a more extensive, creative, and systematic way than ever before.



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A PDF of the entire *Collaborations Catalogue* is available at
www.hudsonfaithincommunities.org

ENDNOTES

- 1 The *Catalogue* lists only contracts underwritten by the four federal programs regulated by the Charitable Choice guidelines: TANF, Welfare to Work (WtW), the Community Services Block Grant (CSBG) and the Substance Abuse and Mental Health Services Administration (SAMHSA). There is one exception to this: the Texas data includes a few contracts underwritten by the Workforce Investment Act (WIA) program.
- 2 Specifically, Charitable Choice is aimed at facilitating fruitful collaboration between government and the faith community that protects the religious integrity and character of FBOs accepting government dollars. Under Charitable Choice, FBOs contracting with government retain authority over their mission, governing board, and prophetic voice; have the right to maintain a religious atmosphere in their facilities; and retain the right to use religious criteria in employment decisions. Simultaneously, Charitable Choice seeks to protect the civil liberties of individuals who receive services from FBOs collaborating with government. Religious groups must offer their services to all eligible participants regardless of their religious affiliation (or lack of affiliation). In addition, if a client objects to receiving services from an FBO, the government must ensure that he/she obtains assistance from another organization. Moreover, FBOs must not use government funds for purposes of “sectarian worship, instruction, or proselytization,” and they must not require service recipients to participate in religious practices.
- 3 Introductory notes at the beginning of each state listing provide some background information and put the data in a larger context.
- 4 We asked state and county officials to send us information only about contracts underwritten with these four program funds. Obviously, we cannot claim with 100 percent certainty that officials complied precisely with this. Readers should note that the Texas chapter does contain a few entries with WIA contracts; as explained in the “Introductory Note” in the *Catalogue*, this is because we were told by state officials that Texas is applying the Charitable Choice guidelines to WIA contracts.
- 5 The statistical highlights chart on page 6 does include our best guesses as to the types of FBOs listed: “traditional” organizations (those with a long history of receiving government funds) and “new” organizations (those with little or no experience of government contracting). Readers will note that we have categorized many groups as “unsure,” meaning that we lacked evidence on which to base a valid speculation. The forthcoming survey of FBOs will probe this question of FBO experience with government contracting in detail.
- 6 In the original study, however, the Illinois “Front Door Initiative” was listed as an indirect financial collaboration, but no total number of churches engaged in the initiative was available. Thus, the number of churches engaged in financial collaboration is somewhat underestimated in the original study; nonetheless, the data clearly indicates overall a major increase in the number of congregations contracting with government from the time of the original study to the present.
- 7 This figure includes the total amount, for 2001, of Illinois “Front Door Initiative” funding.
- 8 These calculations do not include the Illinois Front Door grants, since exact totals for each individual grant were not available. However, all Front Door grants fall into the small and medium-sized categories. The calculations also do not include contracts that operated on a “per unit” basis.
- 9 This figure does not include a contract with Jewish Vocational Services for which information on the contract amount was unavailable.
- 10 This figure is underestimated, since it does not include several contracts for which financial information was unavailable.
- 11 Does not include Front Door grants, which is the bulk of activity in IL.
- 12 This figure includes the total budget earmarked for Front Door grants for 2001: \$950,000.
- 13 One entry could not be categorized, so the figures following add to 92 only.

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