

EXECUTIVE SUMMARY

Faithful

A Survey of Government-Funded Faith-Based Programs in 15 States

Collaborations

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President Bush's "faith-based initiative," which rests in part on the claim that public dollars ought to be able to flow to robustly religious organizations providing effective assistance to the poor, has engendered spirited debate. For many, the topic raises fundamental questions about how best to serve low-income citizens, religious liberty and the separation of church and state, and the proper roles of the public and private sectors in addressing social problems.

Government funding of religious social service providers has a long history, especially at the state and local levels. But the "charitable choice" guidelines, enacted as part of the landmark 1996 federal welfare reforms, have created a new, more faith-friendly climate for collaboration. These new guidelines were crafted to address two specific problems: discrimination against some faith-based organizations (FBOs) that desired to compete for public funding of their social service programs, and threats to the religious character of FBOs by the "strings" attached to some government funds.

Charitable choice creates a level playing field for FBOs, including houses of worship, to compete for public funding by insisting that government agencies not disqualify such groups from competition simply because they are religious. Additionally, the guidelines grant faith-based contractors¹ specific rights (e.g., to retain control of their mission and governing board; maintain a religious atmosphere in their facilities; and select staff in accordance with their faith). FBOs must not, however, use public funds for purposes of "sectarian worship, instruction, or proselytization."² Simultaneously, charitable choice safeguards clients' civil liberties. If a client objects to receiving services from an FBO, government must provide an alternative.

This report is the second in a two-part series published by the 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 first, *Collaborations Catalogue: A Report on Charitable Choice Implementation in 15 States*, published spring 2002, sought to identify *who* was contracting with government under charitable choice, *where* such partnerships were forming, and *what* services were being offered. This report, based on a formal survey of nearly 400 faith-based contractors, explores more analytically *how* these new collaborations are faring.³

Several key issues are at the heart of the controversy over charitable choice. Will FBOs that take government funds compromise their religious character? Will FBOs adequately protect clients' civil liberties? Can FBOs find ways to navigate the charitable choice guidelines, remaining true to their faith and faithful to the law? Will religious



groups lose their prophetic voice if they receive money from the state? Will services to clients suffer as FBOs invest time managing government “red tape”? In short, will such government-faith community collaborations actually work?

Much of the debate on these queries has been based on opinion, conjecture, and anecdote rather than hard data. This report seeks to remedy this lacunae with information “straight from the horse’s mouth”—in-depth interviews with a wide variety of leaders of faith-based organizations engaged in government contracting under charitable choice. Our findings offer surprising information on who is taking advantage of charitable choice; highlight the positive impact of government-faith collaboration on extending care for the poor; show that FBOs are making a concerted effort to comply with charitable choice’s requirements; and indicate that faith-based contractors are, overwhelmingly, satisfied with their relationship with government. Overall, the survey dispels many of the critics’ fears about charitable choice, but also indicates a few areas where improvement is clearly warranted.

The Survey

In the spring of 2002, the Survey Research Center at the University of Akron surveyed 587 leaders of FBOs with government contracts under federal programs regulated by charitable choice.⁴ This list included all of the organizations with such contracts in 15 states derived from the *Collaborations Catalogue*. (The fifteen states under study were: Arkansas, California, Colorado, Florida, Illinois, Indiana, Massachusetts, Michigan, Mississippi, New York, Ohio, Oklahoma, Texas, Virginia, and Wisconsin.) 389 individuals, or two-thirds of the original list of contacts, were successfully interviewed.⁵

Who is Collaborating with Government?

Seventy-eight percent of the contractors were faith-based nonprofits, 22 percent were congregations. As indicated in Table 1, the contractors were religiously diverse. Two findings stand out. First, overall, evangelical Protestants were the single largest group active in contracting, at 42 percent of the total.⁶ Historically black denominations and mainline Protestants composed one-sixth of the total, ecumenical organizations a little more than one-sixth, and Catholics and Jews almost one-quarter of the total. Second, more than one-third of all the congregations contracting were composed principally of African-American members, and nearly one-fifth (18 percent) were predominantly Hispanic, Asian, Native American, or ethnically mixed churches. Less than one-half of the congregations were predominantly white. Thus, minority churches were more active in government contracting than were white congregations. Most congregations contracting with government were small to medium-sized, though 25 percent had

memberships over 500. Similarly, more small and mid-sized nonprofits (those employing fewer than 50 staff persons) than large ones were engaged in government contracting.

Table 1: Organizational Characteristics of Faith-Based Contractors

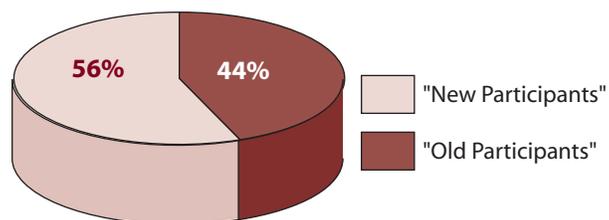
Type of Group	All	Nonprofits	Congregations
	100%	78%	22%
Religious affiliation			
Evangelical Protestant	21%	16%	39%
Nondenominational Prot.	16%	14%	24%
Salvation Army	8%	11%	—
Mainline Protestant	14%	10%	32%
Ecumenical	17%	20%	3%
Catholic	22%	27%	2%
Jewish	2%	3%	0%
Annual Budget			
Less than \$100,000	14%	12%	20%
\$100,000 to \$249,999	20%	14%	41%
\$250,000 to \$499,999	16%	15%	20%
\$500,000 to \$999,999	14%	16%	11%
\$1,000,000 to \$4,999,999	22%	25%	8%
Over \$5,000,000	15%	19%	0%
Number of Members			
Less than 100			13%
101 to 250			31%
251 to 500			31%
501 to 1000			16%
Over 1000			9%
Race, ethnicity of members			
White			46%
Black			36%
Other, mixed			18%

Source: 2002 Hudson Institute/Bliss Institute Fifteen-State Survey of Faith-Based Contractors (N=389)

Importantly, in the fifteen states we examined, “new” participants—FBOs that have only begun formal collaboration with government since 1996, when charitable choice was passed—outnumber “old” ones with a longer history of contracting with the state (see Figure 1). Overall, 56 percent of the contractors were new participants (contracting only since 1996) while 44 percent had experience in contracting prior to 1996. Roughly 20 percent of the FBOs were engaged in their first contracting experience ever (and for congregations, over half were).

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Figure 1: Experience with Government Contracting

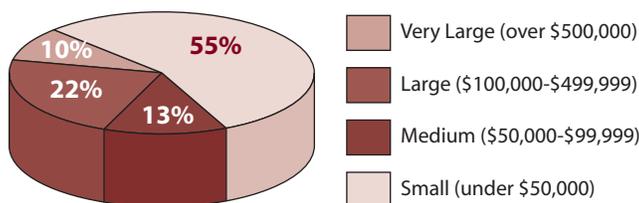


Note: "New participants" are those with contracting experience only after 1996 (i.e., after charitable choice).

Source: 2002 Hudson Institute/Bliss Institute Fifteen-State Survey of Faith-Based Contractors (N=389)

Most of the FBOs held small contracts (under \$50,000), though 10 percent held contracts exceeding \$500,000 (see Figure 2). Mixed funding was most common; that is, approximately 80 percent of the FBOs held contracts that paid for less than the total cost of the program. Though some critics worry that FBOs might pursue government funding for selfish gain (i.e., primarily to increase their organization's resources rather than primarily to offer services), in fact many FBOs are in effect subsidizing the government's anti-poverty efforts.

Figure 2: Size of Contracts



Source: 2002 Hudson Institute/Bliss Institute Fifteen-State Survey of Faith-Based Contractors (N=389)

Both the size of the organization and the contract amount are related to the number of clients served by the organization. Overall, a little more than one-third of the groups served 100 or fewer clients in a year; one-fifth served 101 to 500 clients; one-eighth served 501 to 1,500 clients, about one-sixth assisted 1,501 to 5,000 clients, and another one-sixth over 5,000 clients.

What Impact has Faith-Based Contracting had on Client Services?

Government support has had a substantial impact on the social service activities of the faith-based contractors surveyed. As indicated in Table 2, overall, two-thirds of the respondents claimed that the government-funded contract allowed them to create a new program. Three-quarters noted that it allowed them to expand an existing program, often one not previously supported by public funds. Almost 90 percent of the organizations claimed the contract had allowed them to serve more clients, and 65 percent reported that government dollars had allowed for the addition of a new component to an existing program.

Table 2: Impact of Government Contract(s) on Programs

Contract allowed for:	
A new program	68%
An expanded program	76%
Service to more clients	87%
A new component	65%

Source: 2002 Hudson Institute/Bliss Institute Fifteen-State Survey of Faith-Based Contractors (N=389)

How's It Going?

Clearly, government contracts had a major impact on the level and type of programming offered to disadvantaged citizens by these organizations. But how are the FBOs themselves faring in their relationship with government? We probed this issue through several questions.

Overall, nearly all the faith-based contractors reported that their experience with government was positive (nearly 50 percent said "very" positive). Ninety-two percent indicated that they would pursue a government contract in the future.

We asked respondents to comment on three specific issues where problems could arise: intrusive monitoring by government officials; difficulty in applying for funding; and burdensomeness of reporting requirements. In general, the faith-based contractors did not see government officials as intrusive: more than three-fifths claimed there had been "very little intrusion" and about one-third reported only "some intrusion." The respondents also reported little difficulty in applying for contracts. More than one-half claimed "very little difficulty" and better than

one-third just “some difficulty.” New participants, however, did have more trouble than old participants. Ten percent of new participants encountered “considerable” or “great” difficulty when applying for a contract. Only four percent of old participants responded similarly.

While most of the faith-based contractors expressed strong satisfaction in their relationship with government, a minority expressed some dissatisfaction. Between seven and eight percent of the cases reported some kind of negative experience (e.g., they gave government a low overall evaluation, complained about the level of intrusiveness or the difficulty of applying for the funds, or stated that they were unlikely to apply for another contract). There was little pattern to the complaints of the unsatisfied FBOs: they appear to be largely idiosyncratic, perhaps reflecting the peculiarities of the particular organizations or government officials. A handful of organizations may well have had a very negative experience with government contracting. Burdensome reporting—“red tape”—was the chief cause of complaint. Three-quarters of the complaints (29 percent of all respondents) involved reporting burden, which was sometimes combined with other problems.

Common Concerns about Government Contracting

Some critics of public funding of faith-based service providers assert that government contracts will threaten the faith-based character of such organizations, drive away private funding, or undermine the prophetic role of such organizations in criticizing the government. These are weighty matters, and we asked the respondents about these concerns directly. As Table 3 shows, very few of the faith-based contractors expressed worry. By overwhelming margins, the respondents disagreed that government contracts posed a problem in any of these areas. Only five to six percent of the respondents indicated any agreement with any of these three concerns.

Religious Characteristics of Faith-Based Contractors

FBOs are not homogeneous. To gain a deeper appreciation for their diversity, our survey asked several questions aimed at ascertaining the role that faith plays in the contractors’ programs. We also explored the degree to which these contractors pursue intentional strategies to maintain their organizational distinctiveness in the midst of collaborating with government. Regarding the latter, respondents were asked whether their mission statement was explicitly religious; how many of their staff, board members, and volunteers shared the faith of their organization; and whether they considered religious affiliation in hiring decisions. They were also asked to comment on their “religious expressiveness” and to describe their practices: Did they offer optional religious components in their programs? Did they tend to invite clients to participate in religious activities outside of the government-funded program? Did their

staff and volunteers seek to build relationships with clients through which matters of faith could be discussed? Based on the answers to these “organizational distinctiveness” and “religious expressiveness” items, we built a four-part typology of faith-based contractors.

Table 3: Fears Concerning Public Funding of Faith-Based Organizations

Accepting government contracts threatens to undermine the faith-based character of our organization	
Strongly agree	<1%
Agree	6%
Neutral	5%
Disagree	58%
Strongly disagree	31%
Accepting government contracts threatens to reduce the amount of private funds given to our program	
Strongly agree	1%
Agree	4%
Neutral	5%
Disagree	64%
Strongly disagree	26%
Accepting government contracts threatens our ability to criticize the government based on our religious beliefs	
Strongly agree	1%
Agree	4%
Neutral	6%
Disagree	57%
Strongly disagree	32%

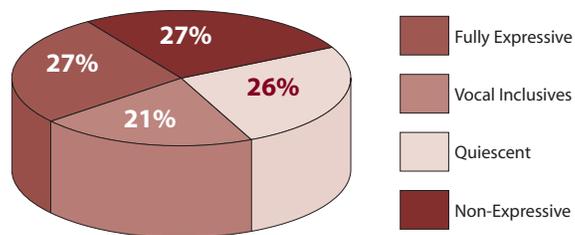
Source: 2002 Hudson Institute/Bliss Institute Fifteen-State Survey of Faith-Based Contractors (N=389)

As shown in Figure 3, we labeled roughly one-quarter of the respondents “Non-Expressive.” These FBOs do not rank high on the religious expression items or the organizational distinctiveness items. Nine of ten of these organizations described their faith commitment as “not relevant” or as “passive,” and they engaged in few expressive practices.

Twenty-six percent of the groups fell into the “Quiescent” category. These faith-based contractors score low on religious expression but high on organizational distinctiveness. The Quiescents are easily recognizable as faith-based because of their personnel (most of their board, staff, and volunteers share the organization’s faith commitments). They thus represent a quiet but consistent presence of faith.

“Vocal Inclusives” compose 21 percent of the sample. These groups rate high on religious expression but lower on organi-

Figure 3: Types of Faith-Based Contractors



Source: 2002 Hudson Institute/Bliss Institute Fifteen-State Survey of Faith-Based Contractors (N=389)

zational distinctiveness (though not as low as Non-Expressives). Most engage extensively in expressive practices. Their lack of organizational distinctiveness is complicated: they tend to care about their board members’ religious affiliations, and have many employees who espouse the same faith. However, they tend not to use faith as a basis of hiring and their volunteers may not share the organization’s faith commitments.

Twenty-seven percent of the FBOs are “Fully Expressive;” these groups rank high on both religious expression and organizational distinctiveness. No one could deny they are “faith-based.” Indeed, this category closely fits the image of such groups among supporters and critics of publicly funded faith-based social services. The Fully Expressives are tied with the Non-Expressives for the largest category overall. The Fully Expressive group includes almost one-half of the congregations; indeed, congregations outnumber nonprofits two-to-one in this category. African-American and other minority and mixed congregations are concentrated in this category. The Fully Expressive category contains the most evangelical Protestant groups (nearly two-thirds) and thus is something of a mirror to the Non-Expressive sector, which contains mainly Catholic Charities and

ecumenical nonprofits. Almost one-half of the Fully Expressives are small organizations and three-quarters are new participants.

Charitable Choice: Awareness and Compliance

Overall, about one-half of the respondents claimed to be familiar with the charitable choice guidelines, and less than one-half reported that such guidelines were included in their contract(s).⁷ There was, however, considerable variation in these figures across the group characteristics. Congregations were more likely to report familiarity with the charitable choice guidelines than were nonprofits, by a large margin. Similarly, large organizations, and especially the Fully Expressive FBOs, were more familiar with the guidelines than were their counterparts. Old participants were more familiar than new participants by a much smaller margin.

This wide variation in the knowledge and use of the charitable choice guidelines is reflected in the strategies the faith-based contractors employed to meet the requirements of charitable choice. Information on five such strategies is provided in Table 4.

The most common of these strategies involved segregating public funds from funds used for inherently religious purposes. Overall, 70 percent of the respondents employed this strategy.

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Congregations were more likely to use it than were nonprofits. Additionally, large organizations, and especially Fully Expressive FBOs (80%), actively employed this approach.

The second most common strategy involved providing special training for staff and volunteers on inherently religious matters.

Table 4: Strategies for Complying with the Charitable Choice Guidelines

Percent “yes”	ALL	ORGANIZATION		PARTICIPATION		FAITH TYPE	
		Nonprofits	Congregations	Old	New	Expressive	Non-Expressive
Segregate public* funds from other funds	70%	65%	87%	69%	70%	80%	57%
Provide special training for staff/volunteers	60%	48%	60%	62%	58%	65%	47%
Hold inherently religious activities at special times	57%	52%	73%	50%	62%	70%	33%
Hold inherently religious activities at special locations	40%	39%	41%	39%	41%	44%	32%
Keep detailed records of public funding of staff	39%	39%	39%	34%	44%	46%	25%

Source: 2002 Hudson Institute/Bliss Institute Fifteen-State Survey of Faith-Based Contractors (N=389)

Overall, 60 percent of the groups used this means of navigating charitable choice. In a pattern reminiscent of the previous strategy, congregations, large organizations, and Fully Expressive FBOs were most likely to provide specialized training for staff and volunteers to help them understand charitable choice's permissions and restrictions. On this issue and the preceding one, there was essentially no difference between old and new participants.

Nearly three-fifths of the respondents reported employing a third strategy; namely, holding inherently religious activities at special times apart from the services provided under the government contract. The two remaining strategies were followed less frequently. Holding inherently religious activities at a different location from the contracted services and keeping detailed records of the public funds spent on staff were each employed by some two-fifths of the faith-based contractors surveyed.

Congregations, new participants, and Fully Expressive FBOs were the most likely to employ multiple strategies for ensuring compliance with the charitable choice guidelines.

Overall, congregations, new participants, and Fully Expressive FBOs were the most likely to employ multiple strategies for ensuring compliance with the charitable choice guidelines. These respondents are the ones that critics of charitable choice are most concerned about. Based on our findings, though, it is these very groups that demonstrate intentional and extensive efforts to comply with charitable choice's restrictions on underwriting inherently religious activities with government dollars. Just six percent of the respondents claimed that they used no strategy at all to navigate the charitable choice guidelines, and these organizations were concentrated among the Non-Expressive category.

Attitudes Toward Charitable Choice

The survey also listed some of the major provisions of charitable choice and asked the importance that respondents assigned to them. The most commonly underlined provision was "Notifying clients that they need not participate in religious activities to receive services from a faith-based organization." Seventy-seven percent of the faith-based contractors regarded this as "very important." Nonprofits, large organizations, and the Non-Expressive groups reported this item as more important than their counterparts.

Overall, 83 percent of the faith-based contractors consider charitable choice's provision of a government-funded alternative program for clients desiring such as very or somewhat important.

Another provision carrying much weight with FBOs was "Allowing faith-based organizations the equal opportunity to compete with other organizations for government grants on a level playing field." Again, approximately three-quarters of respondents labeled this "very" important. Large organizations and Fully Expressive FBOs assigned this provision greater importance than did their counterparts.

The third most popular provision should come as no surprise, since many of the organizations surveyed already practice it: "Allowing faith-based organizations to control the membership of their governing board." Seventy-one percent said this was very important. Congregations, small organizations, and Fully Expressive FBOs regarded this provision as more important than their counterparts.

Almost one-half of the respondents regarded "allowing faith-based organizations to maintain a religious environment at the service delivery site, such as displaying religious symbols" as very important, but about a quarter do not consider this as very important at all. Sixty-seven percent of the faith-based contractors say charitable choice's hiring protections are "very" or "somewhat" important to them (notably, 89 percent of Fully Expressive FBOs say this, as do 73 percent of congregations and 71 percent of new participants).

Protecting Clients' Rights

The faith-based contractors surveyed place great importance on protecting the civil rights of clients served under government contracts. Seventy-five percent reported that they reassure clients that service provision is not contingent on participation in inherently religious activities. Seventy percent stress to clients that participation in such religious activities is voluntary and optional. And sixty-eight percent notify clients of their right to choose an alternative provider (even though, technically, under most versions of charitable choice, this is the responsibility of government, not of the FBO).⁹ Of course, receiving services from a faith-based group is not for everyone; thus charitable choice gives clients the right to choose an alternate provider. Overall, only nine percent of the faith-based contractors reported any clients leaving their programs to opt for an alternative, and these all said that the number of clients who had left was five or fewer.

Conclusion

This survey of faith-based contractors provides strong evidence that government agencies and FBOs have successfully crafted fruitful partnerships. A remarkable 93 percent of those surveyed are satisfied with their relationship with government and 92 percent indicate interest in future contracting. Though critics worry that FBOs partnering with government may compromise their spiritual mission or lose their prophetic voice, the survey respondents themselves express few such fears. The faith-based groups' compliance with charitable choice is very strong, with most adopting specific, deliberate strategies to maintain—simultaneously—the religious character of their programming, their organizational distinctiveness, and their faithfulness to the law. Under these collaborations, clients' rights are also being respected through deliberate and intentional actions by the contractors. Meanwhile, government agencies are not generally erecting barriers that make it unreasonably difficult for FBOs to compete for funding and are not excessively intrusive in their monitoring of faith-based contractors.

There are, however, areas for improvement. Awareness of the charitable choice guidelines by FBOs is less than ideal and only about half of the contracts written with the FBOs actually include the specific language of the guidelines. Moreover, some FBOs find government's reporting requirements burdensome and a small number of the contractors had a particularly negative experience with their government partner.

The survey also indicates that charitable choice is making a positive difference for disadvantaged citizens. First, the money faith-based contractors are garnering from government is making a real difference on the ground: these nonprofits and congregations are offering more and expanded social service

programs. Second, the survey results also strongly suggest that charitable choice is broadening the traditional social services network and thus creating more choices for clients. That is, organizations new to government contracting—particularly those operated by evangelicals and minorities—are successfully competing for public dollars, working with government, and welcoming disadvantaged citizens in need.

This reality begs the question of why such groups are now collaborating, when they were not before 1996. It seems reasonable to suppose that their willingness is based at least in part on the new rights guaranteed them through charitable choice. For two-thirds of the groups, and especially for congregations and those nonprofits defining themselves as highly expressive religiously, charitable choice's hiring protections are important. For even more groups, charitable choice's guarantee that FBOs can maintain control of their governing board is critical. These protections, and the apparently more level playing field that has been achieved through charitable choice, have raised the "comfort level" of certain groups within the faith community in entertaining the possibility of government collaboration. What we see is a broad diversity of faith-based groups providing social services, and conducting those services in a variety of ways—some with more emphasis on voluntary religious program components and some without.

Having heard the perspective of the faith-based contractors, future research could fruitfully be employed in assessing the attitudes of government officials contracting with FBOs and clients receiving services from FBOs. This will give policymakers the fullest understanding of just how charitable choice is faring. From what we now know from hard data, so far, the news is positive.



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A PDF of the entire report, *Fruitful Collaborations: A Survey of Government-Funded Faith-Based Programs in 15 States*, is available at

www.hudsonfaithincommunities.org

ENDNOTES

- 1 As used throughout, “contractors” means contractors and grantees. Government officials in the fifteen states under study designated the contractors surveyed as “faith-based” organizations. This label was not necessarily accepted by the organizations themselves. A small number of organizations refused to participate in the survey because they did not regard themselves as “faith-based.”
- 2 These restrictions apply in the case of direct government funding. There are no restrictions on inherently religious activities in the case of indirect government funding.
- 3 Our evaluation is of the quality of collaboration between the FBOs and the government agencies from which they receive funding, as reported by the FBOs themselves. This is not a study of the effectiveness of the FBOs’ actual social service programs—which is, of course, an extremely important question in itself.
- 4 The contracts were held with state and local government agencies administering these federal funds. The four programs regulated by charitable choice are: Temporary Assistance to Needy Families (TANF), Welfare to Work (WtW), the Community Services Block Grant (CSBG), and the Substance Abuse and Mental Health Services Administration (SAMHSA).
- 5 If 90 individuals with whom no contact was made are excluded (due to wrong telephone numbers), the response rate was 78 percent. The margin of error in this survey is plus or minus 5 percent. While some individuals commented on their organization’s experience with more than one contract, no individual spoke on behalf of more than one FBO.
- 6 “Evangelical” includes the one-sixth of nonprofits directly connected with an evangelical Protestant denomination; the nondenominational organizations, most of which were clearly part of the evangelical Protestant tradition; and the Salvation Army, an evangelical denomination with a special mission to carry out charitable programs.
- 7 Charitable choice does not require that state or local agencies actually codify the charitable choice rules in contracts with FBOs using the federal funding streams it regulates. The main issue is that contracts must conform to the rules. Codifying the rules directly in the contract language, however, is likely to facilitate successful compliance.
- 8 “Public” here specifically means “government” funds.
- 9 In SAMHSA contracts, FBOs have a responsibility to notify clients of their right to an alternative provider. In all versions of charitable choice, the government bears the burden of actually providing the alternate.

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