



The Roundtable

on Religion and Social Welfare Policy

Scanning the Policy Environment for Faith-Based Social Services in the United States

Results of a 50-State Study

By Mark Ragan, Senior Fellow
Lisa M. Montiel, Research Scientist
David J. Wright, Project Director

An independent research project of the Rockefeller Institute of Government
Supported by The Pew Charitable Trusts

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October 2003

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Forward

Since his inauguration, President George W. Bush has actively encouraged and promoted his Faith-Based Initiative as an effective way to help America's neediest. Through words and actions, he has clearly positioned the concept of publicly supported faith-based social service to be a key domestic policy of his administration. Hardly a public occasion goes by that he doesn't take the opportunity to highlight his belief that many of the nation's social ills can be better treated through the compassion and care that such groups offer.

To bolster this initiative, the Bush White House has taken bold steps to advance its implementation. These have included administrative actions such as Executive Orders, and regulatory changes within many federal agencies – all designed to make it easier for faith-based service providers to access taxpayer funds.

Plainly, the Bush administration's approach has done much to raise the profile of the federal government's direct partnerships with faith-based organizations. But it is equally clear that if the goal is to seriously fuel – and not simply to rally – the “armies of compassion” of which the President speaks, then the initiative must move out from Washington and into the rest of this very big country.

It is unmistakable that the impact of the Faith-Based Initiative greatly depends upon the involvement of state and local government, as they actually contract for most of the human services delivered in America, including those covered under the “Charitable Choice” provisions of federal legislation. The real question is: how, if at all, has policy and rhetoric from Washington rippled out to the states and affected their partnerships with religious groups providing social services? What changes have they enacted, if any, to “level the playing field” between faith-based and secular providers? And what steps have states taken to encourage faith-based organizations to partner with them?

To gauge Charitable Choice activity outside of Washington, DC, the Roundtable on Religion and Social Welfare Policy – a public policy research project of the Rockefeller Institute of Government – assembled a national team of researchers to examine the nature and extent of the faith-based initiatives taking place in all 50 states. Their task was daunting; their findings invaluable.

Thanks to their hard work, summarized in this paper, we now have a fuller picture of where the faith-based initiative stands from border to border. We know that there is wide variation among the states on whether and why they have pursued partnerships with faith groups in the past or present. We have learned that the reasons for this variation number almost as many as the states themselves. In some, faith-based groups have long been accepted as government partners, while others have a strong tradition of separation between church and state. And in nearly every case, severe fiscal problems have made it difficult to launch any new initiatives.

These findings suggest that, while the light of the Faith-Based Initiative shines bright in the nation's capitol, it is but a flicker in many other parts of the country. And yet, it seems equally the case that there has been demonstrably more activity on Charitable Choice among the states in

the years since 2001, when the topic received new prominence from the President's bully pulpit, than in the years before, when Charitable Choice provisions lay more quietly on the books.

As with any evolving public policy, reliable, non-partisan research is key to analyzing its effectiveness and determining what, if any, changes should be considered. It is our objective to participate in this process through the information contained in this report – much of which represents the first of its kind. By helping to answer some of the most important questions surrounding the Faith-Based Initiative today, we also further the Roundtable's goal of encouraging more informed debate on this important national policy issue.

Richard P. Nathan
Director
The Nelson A. Rockefeller Institute of Government

Executive Summary

Introduction

In the summer of 2003, the Roundtable on Religion and Social Welfare Policy sponsored research to examine the nature and extent of state initiatives to increase the involvement of Faith-Based Organizations (FBOs) in the delivery of social services. Researchers in all 50 states were asked to gather information on the policy environment for faith-based social service delivery at the state and local level. They were also asked to determine the extent to which changes have been adopted in law, regulation, and administrative processes to facilitate collaboration with FBOs as a result of the Charitable Choice provision of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and to subsequent expansion of this provision to several additional federal programs.

The Roundtable was interested in determining the extent to which federal initiatives have altered the landscape of social services delivery throughout the United States. What has changed, how has it changed, and to the extent that data are available, what difference have these initiatives made in the level of faith-based organizations' participation in the delivery of social services?

Gathering information for the study was not easy. Lack of standard terminology (e.g., a definition of "faith-based organization") and the absence of centralized data on social service contracts – indeed, the absence in most cases of any way to identify state grantees and contractors as faith-based – made quantification of the level of FBO involvement problematic. Differing administrative processes and governance structures in the programs that were the focus of the study, as well as other issues, made collection of data challenging.

Nevertheless, through hundreds of interviews and by analyzing available documentation, including relevant statutes, regulations, policy instructions, administrative records, and other sources, researchers were able to gather sufficient information to allow us to answer the important questions above.

Background

Broader participation of FBOs in the delivery of public services has been accelerated by two related trends over the past decade – program devolution and privatization. Program devolution, a central tenet of the landmark welfare reform legislation of 1996, reflects the view that placing program authority closer to the point of service will permit locally tailored, more effective services for poor families than standardized, uniform efforts controlled from Washington. As program administrators have looked elsewhere for solutions, non-governmental organizations, such as community-based organizations and FBOs, are seen as valuable resources that should be tapped to address a variety of social needs, and that should be financially supported in their work.

Increasing the involvement of FBOs in the provision of services has been and is a high priority of the Bush administration. Executive branch agencies have taken a number of steps to facilitate devolution, privatization, and support of FBO-provided services. In specific language in the welfare reform legislation of 1996, in executive orders, and through other administrative actions, the federal government has actively promoted the increased involvement of FBOs in the delivery of social services. In programs such as the Temporary Assistance for Needy Families (TANF) program, the Social Services Block Grant, employment and training programs, and others, the message has been sent to states that FBOs should be integral partners in the delivery of services, and that states should take steps to facilitate access by FBOs to federal funds that flow to the states through these programs.

But how effective have such actions been? How have states reacted to the Charitable Choice legislation and subsequent federal initiatives, and what has it meant in terms of an increase in the level of FBO involvement in providing services? In what ways are the current policy and administrative environment in which services are contracted for and provided different than those before 1996? What guidance and oversight is provided to ensure public funds are not used for impermissible religious activity? To what extent do FBOs receive funding through grants and contracts to provide social services? Seeking answers to these and related questions was the purpose of this study.

The Research for this Study

The Rockefeller Institute of Government has for years been involved in conducting research on how, and how effectively, federal social welfare programs are administered at the state level. The Institute conducts studies and special projects to assist government and enhance the capacity of states and localities to meet critical challenges. Through its conferences, research, and publications, the Institute works with the best experts and top officials at all levels of government to forge creative solutions to public problems. The work of the Institute focuses on the role of state governments in the American federal system.

With the support of The Pew Charitable Trusts, the Institute is currently sponsoring the Roundtable on Religion and Social Welfare Policy. The Roundtable conducts in-depth nationwide research on the role and efficacy of faith-based social service programs. The goal is to fill broad gaps in knowledge about the relative effectiveness and capacity of faith-based services, and the constitutional issues involved in public funding. The Roundtable's independent and non-partisan research seeks to contribute to a more informed debate on this important issue among policymakers, stakeholders, journalists and the public.

As with other research that the Rockefeller Institute has conducted, a network of indigenous researchers was engaged to gather data. This approach benefits from the researchers' local knowledge and contacts. Using a standard protocol, researchers interviewed state and local officials, and in many states, representatives of FBOs. In a number of states administration of the TANF program, and therefore contracting for services, is the responsibility of counties. For other programs, non-governmental organizations with sub-state service areas are responsible for

contracting and grant making. As a consequence, we asked the researchers to contact at least one local jurisdiction as well. Researchers' findings were submitted to the Institute for consolidation and analysis.

In addition to gathering information for the study, we asked researchers in selected states to submit case studies that describe in more detail the policy environment and state efforts to increase FBO involvement in delivering services. These case studies, available under separate cover, provide a more complete picture of what is happening in these states, and also highlight the different paths that Charitable Choice has taken from state to state.

Results of the Study

Upon review of the information gathered by our researchers, it is clear that states have responded to federal initiatives in very different ways. For the most part, the response to federal Charitable Choice legislation and the Bush administration's more recent initiatives has been muted. This is not to say that there are no examples of state or local actions to facilitate FBO involvement in the delivery of services, or that FBOs are no more involved in the provision of services than they were before 1996. But looking across the broad sweep of states for which research data are available, it appears that changes have been incremental.

There are likely many reasons for the general lack of activity at the state and local level. Common themes expressed in many of the interviews were that FBOs have long been vital players in the social services delivery network, both government-funded and otherwise, that FBOs are eligible to compete for contracts and grants to the same extent as secular service providers, and that FBOs are treated no differently than other service providers in terms of monitoring, auditing, and other administrative functions.

Researchers did determine that in many states, substantive steps have been taken to increase the level of FBO involvement in government-funded services. These actions include: creation of a high-level liaison office to improve communications between the state and FBOs, developing mailing lists and websites to ensure that FBOs are aware of potential contracts, and conducting training to assist FBOs in competing for grants and contracts. But in only a few states do these activities appear to be part of a major initiative, identified personally with the governor or an agency head.

Relatively few states have modified their statutes, regulations, or contracting processes to increase the level of FBO service provision, nor do states monitor compliance with restrictions on permissible activities. What has been done, thus far, is more in the realm of outreach and communication than substantive changes in processes and procedures. These activities are not so much directed toward the large, national faith-based service organizations, with which many

In part the slow response of the FBO community [to Charitable Choice] was linked to the fact that New Jersey had a long tradition of contracting with community-based non-profit organizations and with FBOs through their 501(c)(3) entities. [From the New Jersey scan.]

[F]ocus group respondents overwhelmingly agreed that there was no discernable difference in the participation of FBOs in social services delivery pre and post 1996. [From the Maine scan.]

states have contracted for years. New initiatives are directed more toward smaller, congregation-based FBOs and local, religiously-affiliated nonprofit providers that have not been as involved in government funded programs.

For the most part, it appears that state officials have not felt that there was a need to make substantive changes – FBOs are already active players in delivering services, their participation is an accepted way of doing business, and their involvement is not a subject of controversy, either for program officials or for their clients. And representatives of FBOs, for the most part, seem to agree.

Other findings:

- Performance monitoring and audit procedures related to FBOs, both for contracted services and services provided through voucher and certificate programs, do not differ from those for other providers.
- It appears that most states have not provided FBO contractors with specific guidance regarding permissible and impermissible activities.
- The majority of states has not simplified contracts or reduced the size of contracts to encourage FBO participation, nor have they encouraged contractors to subcontract with FBOs.
- Only a few states have conducted a high-level review of the state’s contracting statutes and procedures to assess compliance with federal Charitable Choice provisions.
- Most states do not require religiously-affiliated service providers to have 501(c)(3) (non-profit) status. Of the few that do, only two require the 501(c)(3) non-profit to be secular or not pervasively sectarian.
- More than half of the states for which we have data permit FBO contractors to select employees on the basis of religion.
- Only one state requires FBOs that provide contracted services to remove religious art, icons, or scripture in the place of service; no states require FBOs to alter their executive or board makeup in order to minimize the influence of the clergy.
- Many states have not addressed in a rigorous manner statutory requirements related to the right to an alternative provider, both with regard to client notification and particularly with regard to preparations and procedures related to providing an alternative provider.
- Only two states have provided capacity-building or start-up grants to FBOs.
- Almost without exception, states contract with and provide grants to FBO service providers, and in many states, with a wide range of types of FBOs, including congregation-based FBOs.

**Scanning the Policy Environment for Faith-Based Social Services
in the United States:
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PART I - INTRODUCTION

During the summer of 2003, the Rockefeller Institute of Government engaged researchers from around the country in a study of state and local policies and practices related to contracting with Faith-Based Organizations (FBOs) for the delivery of social services. Our goal was to contact state and local program officials in all of the states to learn about policies and administrative practices that affect FBO provision of services, to determine the magnitude of such services, and to determine the effects of the so-called Charitable Choice provision included in several federal programs since 1996. This paper is a summary of the findings from that research.

Background

Charitable Choice

In 1996, the U. S. Congress enacted landmark legislation that changed the nature of the federal public welfare system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) created a new program, the Temporary Assistance for Needy Families program, replacing the Aid to Families with Dependent Children program, which since the New Deal had been the basic welfare program throughout the U.S. The overarching purpose of the legislation was to end welfare dependency by requiring participation of recipients in work-related activities. The legislation envisioned that states, given new flexibility to tailor the new program to meet local needs, would provide a wide range of services to support work. The statute also includes a provision that encourages states to include FBOs in the provision of those services – Charitable Choice.

In addition to changes in welfare law, the Bush administration has taken additional steps to encourage the use of FBOs as service providers in a range of federally-funded programs. “President Bush has made it one of his Administration’s top priorities to ensure that Federal programs are fully open to faith-based and community groups in a manner that is consistent with the Constitution.”¹ For example, he created the White House Office of Faith-Based

¹ U.S. Department of Health and Human Resources, Charitable Choice Regulations Applicable to States Receiving Substance Abuse Prevention and Treatment Block Grants, Projects for Assistance in Transition From Homelessness

and Community Initiatives (FBCI), as well as FBCI offices in a number of cabinet-level departments. The federal government has for the last several years provided grants to a range of organizations to increase the number of FBOs providing social services. In addition, federal officials have been emphasizing the need for their state counterparts to work more closely with FBOs in the TANF program. After 1996, Charitable Choice provisions were applied to additional programs, including the Welfare-to-Work program, Community Services Block Grants, Projects for Assistance in Transition from Homelessness, and other discretionary grant programs for substance abuse prevention and treatment that are administered by the federal Substance Abuse and Mental Health Services Administration.

The Rockefeller Institute of Government and The Roundtable on Religion and Social Welfare Policy

The Rockefeller Institute of Government has for years been involved in conducting research on how, and how effectively, federal social welfare programs are administered at the state level. The Institute conducts studies and special projects to assist government and enhance the capacity of states and localities to meet critical challenges. Through its conferences, research, and publications, the Institute works with the best experts and top officials at all levels of government to forge creative solutions to public problems. The work of the Institute focuses on the role of state governments in the American federal system. Since 1996, the Institute has conducted ongoing research on the implementation of the TANF program across the country by employing indigenous researchers in all of the states.

With the support of The Pew Charitable Trusts, the Institute is currently sponsoring the Roundtable on Religion and Social Welfare Policy. The Roundtable conducts in-depth nationwide research on the role and efficacy of faith-based social service programs. The goal is to fill broad gaps in knowledge about the relative effectiveness and capacity of faith-based services, and the constitutional issues involved in public funding. The Roundtable's independent and non-partisan research seeks to contribute to a more informed debate on this important issue among policymakers, stakeholders, journalists and the public. In addition to this study, other current research is underway to determine the effectiveness of services provided by FBOs. Additional information on the Roundtable, as well as publications, policy analyses, news updates, and interviews can be found at <http://www.religionandsocialpolicy.org>.

Formula Grants, and to Public and Private Providers Receiving Discretionary Grant Funding From SAMHSA for the Provision of Substance Abuse Services Providing for Equal Treatment of SAMHSA Program Participants, Federal Register: September 30, 2003 (Volume 68, Number 189).

Study Methodology

A network of indigenous researchers from a wide range of academic disciplines – including public policy, public administration, political science, divinity, and social work – were engaged to gather information in the following areas for the state and at least one local jurisdiction (usually a county):

- the policy environment in which FBO social service providers operate, including requirements related to 501(c)(3) status, restrictions related to employing co-religionists, and requirements related to informing clients of the right to refuse to participate in religious activities;
- state initiatives to facilitate participation of FBOs in service provision, including changes in state law, simplification of contracts and contracting procedures, outreach to FBOs, and designating a high-level state official to act as a liaison to the secular community;
- monitoring practices, including whether FBO service providers meet requirements related to hiring and serving all clients, audits, and certification and oversight procedures for voucher program;
- an analysis of changes in the level of participation of FBOs in social services, and a description of the factors contributing to those changes;
- a quantification of the number and amounts of grants and contracts for services provided by FBOs, broken down by types of FBOs, for federal programs affected by Charitable Choice and other social service programs.

The programs that were of particular interest were those that were affected by Charitable Choice, including:

- the Temporary Assistance for Needy Families Program;
- Welfare-to-Work;
- Community Services Block Grant program;
- Substance Abuse and Mental Health Services contracts.

Researchers contacted a range of state and local officials, including officials from governors' offices, state legislatures, program agencies, and administrative offices. In many states, they also met with representatives of FBOs. Researchers were provided with descriptions of and information about the programs listed above, and with definitions of terminology related to types of faith-based organizations. This information can be found in Appendices I and II. The information that they gathered was submitted to the Rockefeller Institute of Government for consolidation and analysis.

Challenges in Gathering Data for This Study

One of the major findings of this study was the degree of difficulty that many of the researchers experienced as they attempted to gather information. This was true in many states, and more so at the local level. Researchers were confronted with a number of challenges.

- Variation in Responsibility/Authority for Grants and Contracts

The nature of the social service system in the United States reflects the diversity of the states. Numerous social service programs at the state and local level receive funding through a variety of federal programs, many of which are directly affected by federal Charitable Choice initiatives. Governance structures, administrative and contracting procedures, policies, and monitoring practices vary from program to program, even within a state. For some programs, administration is centralized and the direct responsibility of state employees. In other states, administration is the responsibility of local government. In others, administration rests with non-governmental organizations.

For most of the researchers, this diversity necessitated numerous contacts with a variety of officials. In some states, a federal block grant might be dispersed to various state agencies. There was no single answer to the questions posed by the study, and no single voice to provide the answers. For some programs, it was difficult to find an official who was able (or willing) to answer the questions. For others, gaining access to information for a single program meant contacting numerous officials and staff, each with responsibility for one aspect of policy or practice related to interactions with FBOs. Information with which to respond to the study questions was generally more readily available for the TANF program than for the other programs affected by Charitable Choice.

- No centralized data on FBO grants and contracts

For almost three months, we made persistent efforts to get FBO contract and grant figures from a number of state and county agencies. Consistently and repeatedly, we were told that agencies do not keep such figures. [From the Texas scan.]

Researchers were asked to attempt to quantify the number and amounts of grants and contracts broken out by type of FBO. This data was, in many cases, unavailable from the state. One reason was that in the majority of states there is no central database that lists all grants and contracts. But even more problematic, when researchers were able to locate data on grants and contracts, there was usually no way to determine whether a grantee or contractor was an FBO. While some grants and contracts could be identified because the grantee/contractor was known to have a relationship with a religious organization, there was no way to know about others. A few states have attempted to identify FBO grantees and contractors in their records, but even in these few states, for the most part, FBOs are asked to self-identify, and many do

not. In some states, the lack of information on grants and contracts necessitated using other means, such as press releases, newspaper stories, and exploring the faith character of contractors and listed service providers through Internet sites, published sources, and personal contacts.

Researchers were asked to attempt to quantify the number and amounts of grants and contracts, broken out by type of FBO. This data was, in many cases, unavailable from the state. One reason was that in the majority of states there is no central database that lists all grants and contracts. In some states, the lack of centralized information on grants and contracts necessitated identification of FBO grants and contracts through other means, such as press releases, newspaper stories, and exploring the faith character of contractors and listed service providers through Internet sites, published sources, and personal contacts. When researchers were successful in obtaining data on grants and contracts from state data, determining the faith character of a grantee or contractor was nevertheless problematic. While some grants and contracts could be identified because the grantee/contractor had a known relationship with a religious organization, in other cases, there was not a sufficient basis to make this determination. A few states have attempted to identify FBO grantees and contractors in their records, but even in these few states, for the most part FBOs are asked to self-identify. Self-identification is voluntary, and as a consequence, those FBOs that choose not to do so cannot be identified using state data.

The state in its data-collection does not distinguish between faith and non-faith based organizations. Officials noted that groups are never asked to designate if they are faith-based. Such distinction of organizations is not collected at a state level. [From the Pennsylvania scan.]

- No common definitions of terms

The meaning and use of terms such as “faith-based organization”, as well as terminology to distinguish between types of FBOs, as in Appendix II, is far from universal among the states, and within individual states. Thus, attempting to make distinctions between types of FBOs in order to gather data and to determine how state policies and initiatives were affecting different types of FBOs was difficult.

- Reluctance and inability of program officials to provide information

In many states and localities, locating officials who were willing or able to answer research questions was a challenge. There were many reasons for this. In some cases, program policy was not settled, in others, it was not articulated, and in others, topics of interest for the study simply had not been addressed. Sensitivity to the subject and natural bureaucratic reluctance to speak “officially” on subjects not within one’s designated area of responsibility were evident in some locations. As a consequence, researchers could not secure sufficient information to answer all of the research questions for all of the states and local jurisdictions.

In some states, initiatives were well publicized, policy was clearly established, guidelines for grants and contracts for FBOs were clear, and information was readily available. In other states, more digging was required. Notwithstanding all of the above, researchers were able to collect a great deal of information that bears on the questions addressed in this study.

PART II – STATE RESULTS AND ANALYSIS

In italics below are questions that the researchers addressed to state officials and representatives of FBOs, summary information resulting from their findings and additional analysis. For all of the questions, the summary findings are based on the states for which information is available. In some cases, available information did not permit the researcher to answer all of the questions in the protocol. Thus the number of states for which we have a response varies somewhat from question to question.

The main topics discussed below include: the policy environment at the state level for faith-based organizations providing social services; actions that states have taken to encourage FBO participation; state policies that can limit autonomy or the religious character of FBO social services; state policies related to client rights; state procedures for monitoring performance and compliance; the degree of FBO involvement in contracted social services; and additional findings.

The State Policy Environment for Faith-Based Social Services

Researchers asked state officials a series of questions in order to document actions taken by the state legislature, the governor's office and administrative agencies to ensure compliance with Charitable Choice requirements and to encourage participation by FBOs in service delivery. They also assessed whether the state was encouraging financial and non-financial relationships between state agencies and FBOs. The intent of this series of questions was to determine the general policy environment relative to engaging FBOs in services delivery.

Has a review been conducted, by an entity in a position of authority, of the state's contracting statutes and procedures to assess compliance with federal Charitable Choice provisions?

Eight states, or 17.7 percent of the states for which information is currently available have conducted such a review. For example, in Virginia a task force chaired by the Lt. Governor was convened to review the state's compliance with federal Charitable Choice legislation. In a number of states, reviews of individual program statutes and procedures have been conducted, but such reviews were limited in nature.

Please describe any recent (post 1996) legislative initiatives undertaken in your state to adopt "Charitable Choice" language into state law.

FBOs have had a persistent, strong presence among social service providers in Arizona. Essentially, the 1996 federal legislation and subsequent revisions to the Arizona state statutes served to codify, legitimize and reinforce the status quo. [From the Arizona scan.]

Eight states, or 18.2 percent of the states for which information is currently available, have enacted legislation. For example, in Michigan a recently-enacted statute specifies that the income support agency must use public funds only for non-sectarian services and ensures compliance with federal Charitable Choice provisions. California has also passed legislation to include Charitable Choice language. In other states, legislation related to Charitable Choice has been proposed, but not enacted.

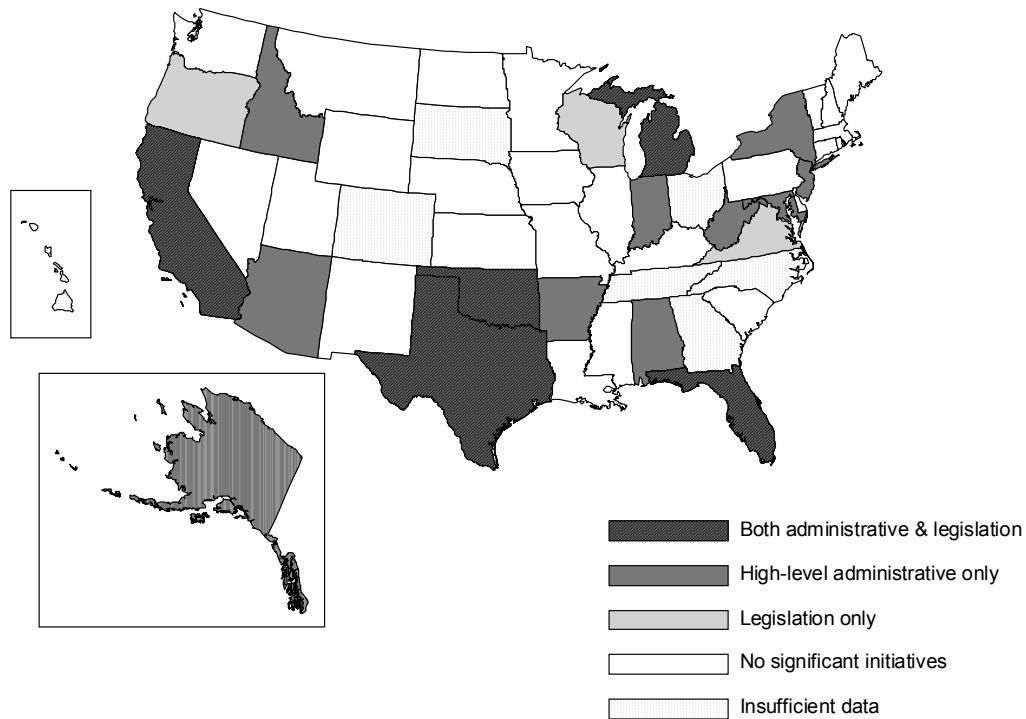
*Please describe any significant (i.e., an effort personally identified with a governor or agency head) and recent (post 1996) **administrative** initiatives to engage FBOs as contractors or grantees in serving the needy.*

Researchers determined that there have been significant post-1996 administrative initiatives in 15 states, or 35.7 percent of the states for which information is available. In some of these states the initiatives were program-specific, in others the initiative was intended to affect a range of social service programs. Some of the initiatives were initiated by Governors, others by state agency heads.

The newly elected Governor of Alaska has made it a priority to include FBOs in social services through outreach meetings and encouraging the state's Department of Health and Human Services to establish liaisons/coordinators for the faith community. The Governor of Oklahoma issued an Executive Order in 2001 that implements federal Charitable Choice policies; however, his successor did not continue the Executive Order. The new Republican administration in Maryland is launching efforts to engage FBOs in social service provision. Previously, such steps were limited to particular programs or agencies. And certainly the most well-known gubernatorial advocate of faith-based initiatives was George W. Bush. In New York, the agency heads of the departments responsible for social services for the needy have been active in developing policy guidelines related to faith-based service providers, assigning liaisons and coordinating with other departments to fully utilize the potential of faith-based providers.

As the map in Figure 1 indicates, relatively few states have undertaken high-level administrative initiatives, and fewer still have enacted legislation implementing Charitable Choice language. Only five states have done both. But much of this activity has occurred since 2000. This suggests that states have reacted more positively to the Bush administration's efforts to raise the profile of FBO-provided social services than to the 1996 legislation.

Figure 1. States with Enacted Legislation and/or High-Level Administrative Initiatives to Incorporate Charitable Choice



In general, is your state encouraging financial relationships between government and religious organizations to provide social services to the needy?

Eighteen states, or 41.9 percent of the states for which information is currently available, encourage financial relationships between government and religious organizations.

Many state officials responded that the state neither encourages nor discourages financial relationships, and that FBOs are treated as any other service providers. This response was a common theme in many other questions as well. State officials claim that the religious nature of an organization is not a factor in dealing with a service provider. What matters is whether the provider has the skills and capacity to provide the service.

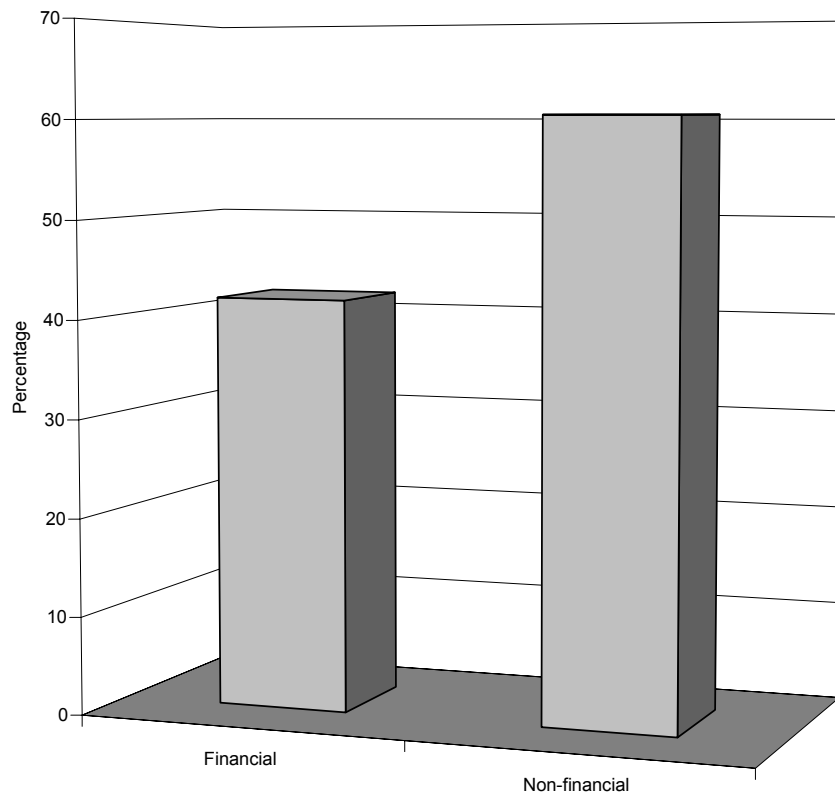
Current grantees, both non-FBO and FBO, are concerned that there will be more competition for existing funding (which is shrinking through budget cuts) as more FBOs seek grants/contracts without an increase in funding for these efforts. [From the Alaska scan.]

In general, is your state encouraging nonfinancial relationships between government and religious organizations to provide social services to the needy?

The majority of states (26 states, or 60.5 percent of the states for which information is currently available) encourage nonfinancial relationships between government and religious organizations.

Not surprisingly, more states encourage non-financial relationships with FBOs than financial relationships. It is likely that tight state budgets contribute to the difference. States that encourage financial relationships, almost without exception, also encourage non-financial relationships.

Figure 2. Types of Relationships that States Encourage with FBOs



State Activities to Facilitate Greater Participation of Faith-Based Organizations in the Delivery of Social Services

The following eleven questions include a range of actions that a state might take to increase the level of FBO participation in planning for and providing social services. Findings are summarized in the table below. Percentages are based on those states for which we have information.

ACTIVITY	% OF STATES
Outreach efforts	65.9
Faith representative on welfare advisory committee	53.8
Recruit FBOs for a particular service	29.3
Liaison	47.7
Modified contracting process	9.8
Scaled down contracts	4.9
Encourage contractors to subcontract to FBOs	21.4
Recruit/invite FBOs to join service contract lists	40.5
Changed RFP notification process	23.8
Provided capacity-building/start-up grants	4.7
Provided technical assistance	32.6

Has (does) the state conducted outreach efforts to faith communities to invite their collaboration (speeches, meetings, conferences, publications, etc.)?

Twenty-nine states, or 65.9 percent of the states for which information is currently available, have conducted outreach efforts.

Has the state included faith representatives on welfare advisory committees?

Twenty-one states, or 53.8 percent of the states for which information is currently available, have included faith representatives on welfare advisory committees.

Has the state recruited faith-based organizations to provide particular services (e.g., marriage/family formation counseling, mentoring, child care)?

Twelve states, or 29.3 percent of the states for which information is currently available, have recruited FBOs to provide particular services. Iowa and Vermont have both recruited FBOs to provide services for the elderly, such as transportation for medical appointments. In Oklahoma, FBOs were actively recruited to

[M]any of the key stakeholders have taken great pains to explain to me that FBO participation in social service programs has a longstanding tradition in the state of Oklahoma. [From the Oklahoma scan.]

support the governor-backed marriage initiative. Local Russian Orthodox churches in Oregon are often recruited to assist with outreach and referral for refugee programs.

Has the state designated a liaison office to the faith communities?

Twenty-one states, or 47.7 percent of the states for which information is currently available, have designated a liaison office to the faith communities. However, many of the staff in these positions have official duties other than as faith liaison. While many states have identified the need to have a central point of contact for FBOs, budget constraints and policy priorities have necessitated requiring an existing employee to take on additional duties as the designated “faith liaison.”

Has the state modified the contracting process to make it easier for faith-based providers to participate (e.g., cutting red tape, simplifying RFPs and contract language)?

Five states, or 9.8 percent of the states for which information is currently available, have modified the contracting process to make it easier for faith-based providers to participate.

Has the state scaled down some contracts (fewer dollar and clients) to enable smaller or novice providers (FBO or otherwise) to compete?

Three states, or 4.9 percent of the states for which information is currently available, have scaled down some contracts to enable smaller or novice providers to compete.

Has the state begun to require or actively encourage contractors to subcontract with FBOs?

Nine states, or 21.4 percent of the states for which information is currently available, have begun to actively encourage contractors to subcontract with FBOs. None of these states require contractors to subcontract with FBOs.

Has the state recruited or otherwise invited FBOs to join service contract mailing lists?

Eighteen states, or 40.5 percent of the states for which information is currently available, have recruited or otherwise invited FBOs to join service contract mailing lists. In general, these invitations are aimed at both religiously-affiliated and secular community-based organizations.

Has the state changed the RFP notification process to improve communication with FBOs?

Ten states, or 23.8 percent of the states for which information is currently available, have changed the RFP notification process to improve communication with FBOs. In some states, notification is through mailings to FBOs and other potential providers; in other states, RFPs are posted on the internet or announced via listservs.

Has the state provided capacity-building or start-up grants to assist FBOs as novice service providers?

Only 2 states, or 4.7 percent of the states for which information is currently available, have provided capacity-building or start-up grants to assist FBOs as novice service providers. Utah used one-time TANF surplus funds for this purpose. Over the last few years much of the approximately \$60 million distributed by the federal Compassion Capital Fund has gone toward technical assistance and capacity-building for FBOs.

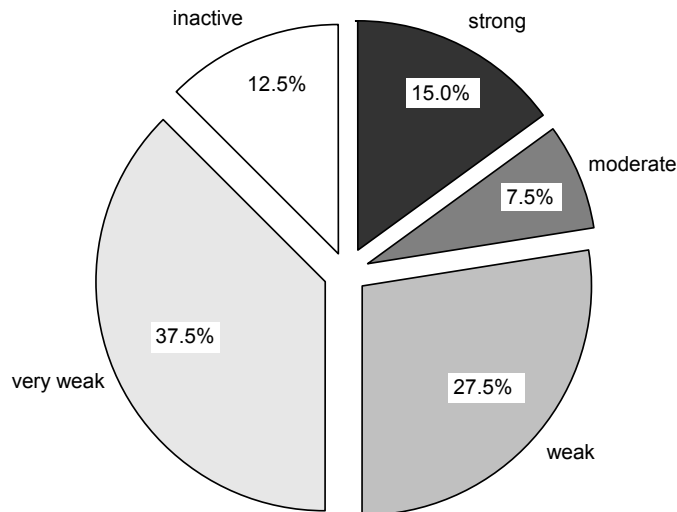
Has the state provided technical assistance to assist FBOs as novice service providers (i.e., with training in board development, operations management, etc)?

Fourteen states, or 32.6 percent of the states for which information is currently available, have provided technical assistance to assist FBOs as novice service providers.

The graphic in Figure 3 illustrates the level of state activity to increase FBO participation in social services, based on the total positive responses to the eleven questions above for each state. In this figure, states are categorized as “strong” if there are 7 to 8 positive responses, “moderate” if there are 5 to 6, “weak” if there are 3 to 4, and “very weak” if there are only 1 to 2 positive responses. States are considered “inactive” if there are no positive responses.

As with other areas of investigation, state responses to Charitable Choice range from little or no activity to substantial efforts to enlist FBO service providers. None of the states for which data is available have taken all of the steps listed above. It was more likely that a state attempted to engage FBOs through outreach and in planning (the first four questions) than took substantive steps to change administrative procedures or provide start-up funds.

Figure 3. Level of State Activity to Increase FBO Participation



State Grant and Contract Policies that Limit Autonomy or the Religious Character of Faith-Based Organizations

The following six questions requested information about state policies affecting FBOs that wish to participate in government-funded social services. We wanted to determine whether FBO grantees and contractors have the flexibility to preserve elements of their character, or must alter their leadership, service environment, and organizational structure in order to receive public financial support.

Are FBOs that wish to take part in service contracts required to establish a separate 501(c)(3) structure to accept the funds and provide the services?

Ten states, or 23.3 percent of the states for which information is currently available, require a separate 501(c)(3) structure.

Is the separate 501(c)(3) structure required to be secular or not pervasively sectarian?

Only 2 of the 10 states in the preceding question also require that the separate 501(c)(3) structure must be secular or not pervasively sectarian.

Are there state guidelines requiring FBOs that wish to take part in service contracts to remove religious art, icons, scripture, etc., in the place of service?

Only 1 state, or 2.2 percent of the states for which information is currently available, have such guidelines in place.

Are there any state requirements for FBOs providing contracted service to alter their executive or board makeup (in order to minimize clergy influence or so that it mirrors the composition of the community or client population)?

None of the states for which information is available have such a requirement.

Are FBOs that have not established a separate nonprofit and that wish to take part in service contracts (such as a congregation-based FBO) required to open all their finances to audit review by the government, or may they limit fiscal audits by establishing a separate account to accept and disburse the government funds?

In most instances, state agencies do not even ask contracting agencies if they are classified as FBOs in an attempt to avoid discriminating against them. At the same time, though, agencies actively promote participation by FBOs in the bidding process. [From the Arizona scan.]

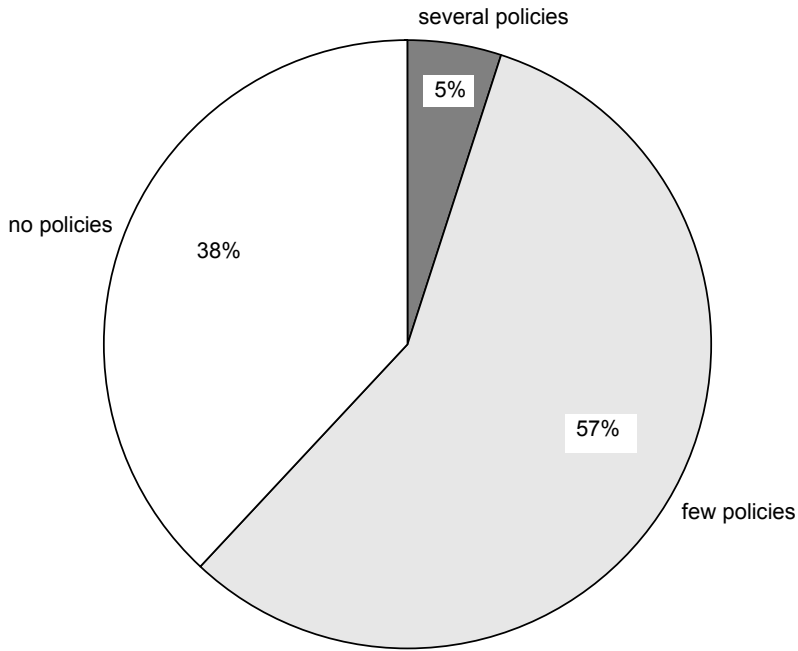
Eight states, or 22.9 percent of the states for which information is available, require FBOs that have not established a separate nonprofit and that wish to take part in service contracts to open all their finances to audit review by the government.

Are FBOs that wish to take part in service contracts able to select employees on the basis of religion?

The issue of publicly-funded faith-based service providers being able to hire co-religionists is hotly debated at the federal level. We found that many states follow the interpretation of Title VII of the 1964 federal Civil Rights Act that permits hiring on the basis of religion. In 23 states, or 57.5 percent of the states for which information is currently available, FBOs may select employees on the basis of religion.

Whether purposely or otherwise, requirements and limitations related to 501(c)(3) status, financial audits, removal of religious objects, the ability of FBOs to maintain separate financial accounts, and the like might reduce the likelihood that an FBO would seek government funding for services. Figure 4 represents overall responses to the previous six questions. The general picture across the country is that there are few states with multiple restrictive policies. Though 10 states require 501(c)(3) status, very few impose the other restrictions included in the questions above.

Figure 4. States with Policies that Limit Autonomy or the Religious Character of FBOs

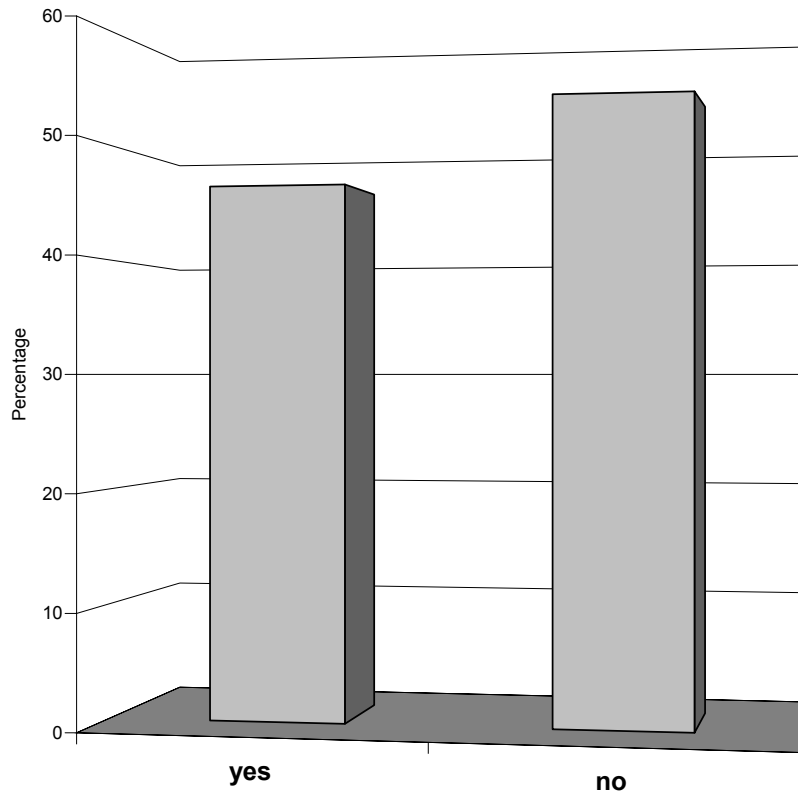


State Policies Related to Client Rights

The next six questions addressed state policies for client rights regarding services provided by FBOs.

Are there any state guidelines requiring FBOs that wish to take part in service contracts to serve all clients and potential clients without regard to religion?

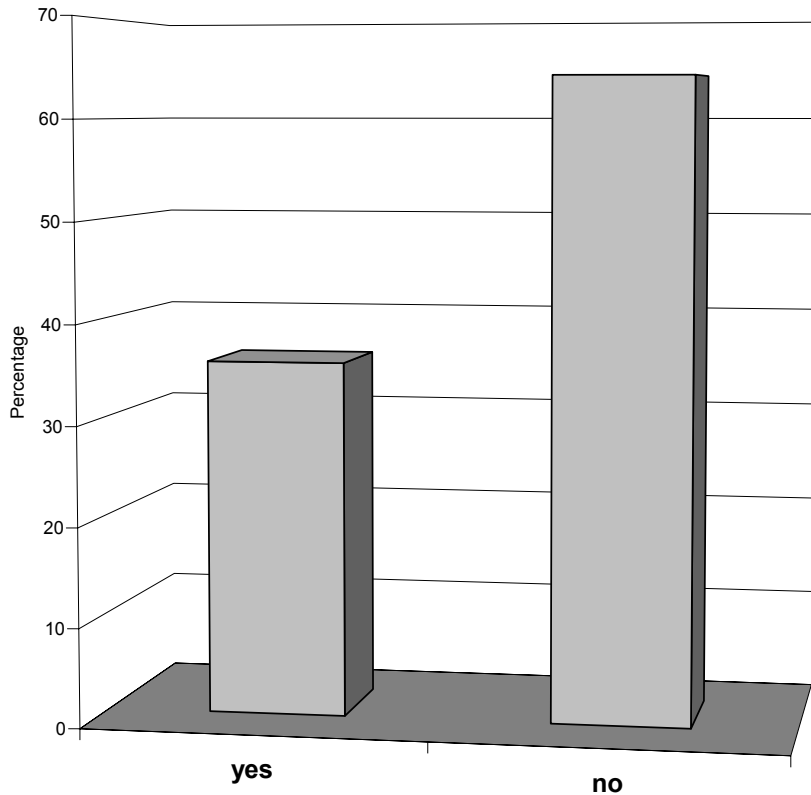
Nineteen states, or 46.3 percent of the states for which information is currently available, have guidelines requiring FBOs that provide government-funded services to serve all clients and potential clients without regard to religion. In some states, policies vary from program to program. For example, in Delaware, policy manuals specify that that the state does not discriminate or deny services on the basis of race, religion, and color national origin, sex, disability and/or age. However the TANF and Welfare-to-Work programs do not have to abide by state law. Contracts for these programs must satisfy the provisions by Title VII of the Civil Rights Act, which allows organizations to hire staff based on their religious background.

Figure 5. Presence of Guidelines Requiring FBOs to Serve All Clients

Are there any state guidelines requiring FBOs that wish to take part in service contracts to allow clients to refuse to actively take part in any inherently religious activities that are part of a program?

Fifteen states, or 35.7 percent of the states for which information is currently available, have guidelines requiring FBOs that provide services to allow clients to refuse to actively take part in inherently religious activities.

Figure 6. Presence of Guidelines Requiring FBOs to Allow Clients to Refuse Religious Component



How are clients served by FBOs informed of their right not to actively take part in inherently religious activities?

In 10 states, or 30.3 percent of the states for which information is currently available, the government notifies the client. In 7 states, or 21.2 percent, the government requires the religious organization to notify the client. In 16 states, or 48.5 percent, the researcher chose the third option on the protocol, “Other.” This response does not necessarily indicate that the state has chosen a different means of communicating the right to refuse to participate in inherently religious activities. Rather, for most states this response indicates that there was no policy for communicating this right or that the researcher was unable to establish what the policy was.

Under “charitable choice” provisions in present federal law, clients who object to receiving a service from a faith-based provider must be provided with a secular alternative.

How is the right to an alternative program communicated to clients?

In 10 states, or 33.3 percent of the states for which information is currently available, the government communicates the right to an alternative program to clients. In 3 states, or 10 percent, the government requires that the religious organization notify the client. In 17 states, or 56.7 percent, the researcher chose the third option on the protocol, “Other.” This response does not necessarily indicate that the state has chosen a different means of communicating the right to an alternate provider. As in the previous question, for most states this response indicates that there was no policy for communicating this information or that the researcher was unable to establish what the policy was.

We also asked researchers to note what preparations the state had made to supply a secular alternative if needed, to note any specific state statutory language that authorizes or specifies the right to a secular alternative, and to describe any procedures in place to respond to persons or organization who feel they have been aggrieved. In the majority of states, responses indicate that the state had made no preparations for alternatives, enacted statutory language regarding this requirement, or established procedures to respond to grievances related to this specific issue. In many cases, state officials responded to these questions by saying that the need for such actions had never arisen, and that an alternative provider would be found if a client made such a request. Any grievances would follow standard procedures for all other grievances.

State Procedures for Monitoring Performance and Compliance

Please note whether there are procedures for reviewing performance for FBOs that are distinct or different than those for secular counterparts.

In all of the states for which information is currently available, procedures for monitoring performance are the same for FBOs as for other service providers.

Please note whether there are procedures for reviewing compliance [with guidelines and limitations on permissible activity] for FBOs that are distinct or different than those for secular counterparts.

In all but two of the states for which information is currently available compliance reviews are the same for FBOs as for other services providers. One reason that policies regarding compliance reviews do not differ for FBOs is that many states require – whether through written policy or ongoing practice – that the public funds not be used for religious purposes.

State administrators maintain that they neither encourage nor exclude state contracts with FBOs; most report no special efforts to attract faith-based organizations to the mix of providers and no efforts to screen them out. [From the Massachusetts scan.]

Researchers were also asked to examine certification procedures, oversight requirements, and auditing procedures for programs for which FBOs are involved in services provided through vouchers or certificates. As with the previous two questions, researchers determined that requirements were no different for FBOs than for other service providers.

Responses to the previous three questions substantiate the claims of state officials that FBOs are treated no differently than other service providers. But at the same time, it is also clear that states have not taken active steps to enforce limitations placed on FBOs, such as the limitation on permissible activity. This may be due, in part, to what appears to be a relatively low level of grant and contract monitoring in many of the states.

Quantifying the Level of FBO Involvement in Providing Government-Funded Social Services

In addition to determining the policy environment, state initiatives to increase the level of FBO involvement in service provision, and requirements and processes related to contracts and grants to FBOs, researchers secured information that could indicate potential increases in FBO-provided services with the three questions below.

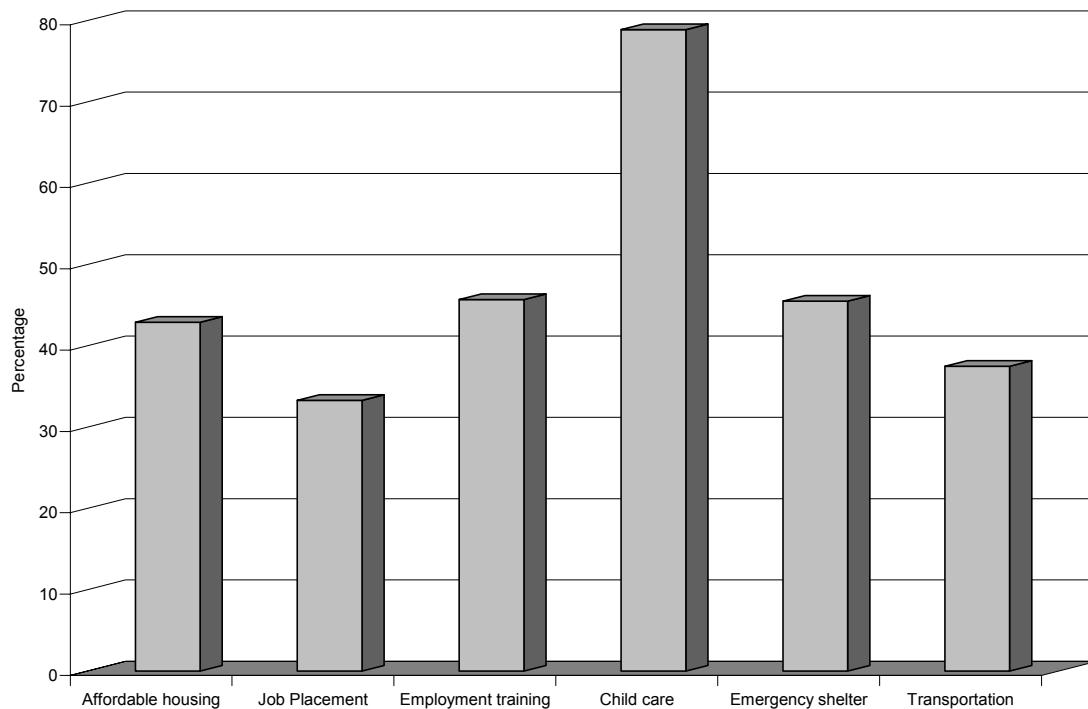
Do state charities registration officials report or perceive that the number of FBOs that are incorporating affiliated nonprofit organizations is notably higher than usual, only slightly higher than usual, or about the same/no change?

Responses for the states for which information is available are shown below.

11.4 percent	Notably higher than usual
20.0 percent	Only slightly higher than usual
68.6 percent	About the same/no change

Are FBOs used as providers in your state for any of the following services on a beneficiary choice basis, where clients choose among providers paid by a voucher or certificate system?

FBOs have the opportunity to provide services in a number of programs through voucher and certificate systems, the availability of which varies from state to state. Vouchers and certificates are most widely available in child care programs. This is not surprising, since federal child care statutes and regulations have explicitly provided for vouchers, and for the use of FBOs as providers, since the late 1980s. Responses to this question are in Figure 7.

Figure 7. Share of States that Utilize FBOs as Providers of Voucherized Services

Researchers report that requirements for participation by FBOs as service providers in voucher and certificate programs do not differ from those imposed on other providers.

Are there circumstances in your state where clients are sentenced by a judge or otherwise directed by an authority to receive service by an FBO (i.e., directed to receive treatment for substance abuse from an FBO in lieu of a prison sentence; sent to an FBO youth program in lieu of juvenile detention; directed to receive counseling services from an FBO by family court)?

In 12 states, or 33.3 percent of the states for which information is currently available, there have been instances where a judge required participation in services provided by an FBO. In New York, a large national faith-affiliated social service provider operates anti-domestic violence programs for court-mandated clients. In Montana and Nevada, FBOs provide prison re-entry programs. In Arizona, faith-based providers are among those an individual may choose when under a court order in cases such as child protective services, domestic abuse prevention, and juvenile delinquency programs.

An additional major research objective was to gain an understanding of the degree and type of public funding of faith-based social service providers. Researchers

were asked to determine the number and dollar value of contracts/grants received by FBOs and the number of participants served under them for programs directly affected by Charitable Choice, as well as other programs, for a recent year. (See Appendix I. We did not specify the year due to variations in federal and state fiscal years and record-keeping practices.) Researchers were asked to break out the data by type of FBO – Congregation-Based FBOs, Independent Religiously-Affiliated Nonprofits, Large National Faith-Affiliated Social Service Providers, FBO Coalitions, and FBO Intermediaries (see Appendix II).

As discussed above, securing this data was in the majority of states daunting, and in some of the states, not practicable. In general, states do not have centralized databases that include information on all social service contracts and grants, and what records were available do not designate whether contractors and grantees are FBOs, nor do they distinguish among the types of FBO listed in Appendix II. Interestingly, even states that appear to have taken the most steps to include a wide range of FBO service providers (e.g., Texas, Florida) were unable to provide data for this part of the study.

State data on FBO grants and contracts were not available for approximately one-third of those states for which we have responses to the study. Nevertheless, for the majority of states researchers were able to provide at least some data by supplementing state-provided data utilizing a range of sources, including press releases, news reports, contacts with FBOs, and the like. From the data that the researchers were able to uncover we can draw a number of conclusions. These conclusions are qualified with the understanding that a “complete” listing of FBO grants and contracts was not available for any of the states.

- All of the states for which data are available contract with FBOs. Even for states where specific information on the level of grants and contracts was not available, other information indicates that these states also contract with FBOs. For example, in a number of the states for which no specific data were uncovered, state officials indicated that there was a longstanding tradition of funding FBO social services.
- The majority of contracts and grants in these states are with Independent Religiously-Affiliated Nonprofits and Large National Faith-Affiliated Social Service Providers.
- Nevertheless, most of the states for which data are available also contract with, at least on a limited basis, Congregation-Based FBOs.
- There were relatively fewer instances of contracts with FBO Coalitions, and fewer still with FBO Intermediaries. The fact that few of these organizations were identified by researchers may be due to the difficulty in defining the faith-based character of these types of organizations.
- Some states that have undertaken relatively few initiatives to increase the participation of FBO service providers are nevertheless contracting with a

range of types of providers (e.g., Illinois, New York, Delaware, Nebraska) and provide a substantial level of government funding to FBOs (e.g., Illinois and New York).

We asked researchers to identify contracts and grants to FBOs by source, and for the reasons discussed above, this proved very difficult. For some types of funding, block grants for example, there is reason to expect that researchers were even less able to identify contracts and grants to FBOs. Where contracts and grants to FBOs were identified, we were able to explore which program areas and funding streams are more likely to be the source – again, relative to those others for which information was available. The data indicate that:

- TANF is by far the most frequent funding stream for FBOs of all types.
- The most frequent service area FBOs receive funding under TANF is youth/children services and employment training.
- Shelter, family formation, and case management are somewhat frequent services FBOs are contracted for under TANF.
- Emergency Shelter Grants (ESG) is the second most frequent funding stream for FBOs.
- The majority of the contracts to FBOs under ESG are for shelter. Some contracts are for emergency relief and a few examples are for affordable housing.
- A handful of states reported FBO contracts through the Emergency Food and Shelter Program (EFSP) at the state level. The county information, however, indicates that FBOs are probably more likely to receive EFSP funds at the local level than at the state level.

Data for some of the states provides a more complete picture of the range of providers and the level of funding for FBO services. Though it should not be considered typical of all states, data from New York shows a significant level of FBO funding. Our researcher reports that an incomplete listing of FBO contracts and grants for 2002/2003 shows the following:

- 39 grants and contracts to Congregation-Based FBOs;
- 133 grants and contracts to Independent Religiously-Affiliated Nonprofits;
- 236 grants and contracts to Large National Faith-Affiliated Social Service Providers;
- 4 grants and contracts to FBO Coalitions;
- 5 grants and contracts to FBO Intermediaries;
- Total funding exceeding \$100 million for the grants and contracts listed above.

Research in Illinois identified grants and contracts approaching \$300 million in a recent year, with the lion's share going to Religiously-Affiliated Nonprofits and Large National Faith-Affiliated Social Service Providers. Additional information on funding provided to FBOs for social services in programs affected by Charitable Choice can be found in a report by the U. S. General Accounting Office entitled *Charitable Choice: Federal Guidance on Statutory Provisions Could Improve Consistency of Implementation*.²

Additional Findings

Multi-state or national faith-based and local religiously affiliated non-profits organizations have been and continue to be the largest providers of social services in the state of Delaware. [From the Delaware scan.]

Researchers were asked to determine whether there were changes in the extent and nature of participation of FBOs in the delivery of social services in recent years as compared to before 1996. They were also asked to describe how key informants in the state view contracting or collaborating with FBOs to serve the needy, whether there was evidence that FBOs have been “discriminated against” by government grant programs, and whether any controversies had arisen related to FBOs providing social services.

Though care should be taken in generalizing, given the wide variation in responses to these questions, we can nevertheless draw conclusions in a number of areas:

- Researchers found that, in most states, there had not been a change in the nature and extent of FBO involvement in the delivery of social services since 1996. (See Figure 8.)
- Perhaps the most telling finding is that there is a not a significant difference in the participation of FBOs in social service since 1996 in many of the states that have most actively embraced Charitable Choice. A number of causal factors may have contributed to this response. Many of these initiatives are recent (post-2000). At the same time, state funding for social services has been decreasing. Much of the effort to work with new FBO providers has involved information sharing to increase awareness of grant and contract opportunities, the impact of which would take some time. New FBOs need time to develop the capacity to apply for grants and bid on contracts, and perhaps more importantly, increase their capacity to deliver new services.

² U. S. General Accounting Office, September, 2002, GAO 02-887.

court cases appear to be the only major arena in which the use of FBOs to provide services is being challenged.

- State officials in at least two states reported that employees and employee unions are concerned that increasing FBO service delivery threatens job security.
- Representatives of FBOs suggested a number of reasons that there has not been a noticeable increase in FBO participation in government-funded services. The reasons include: concern that accepting government funding would change priorities from the religious character of services to concentrating on securing funding; competition among the provider community for limited, and decreasing funding; misunderstanding that there was money set aside specifically for FBOs; and lack of experience with governmental grant and contract processes.

Some churches and religious communities have opposed receiving public funds to accomplish their missions, primarily on the basis that it may corrupt their missions and lead to a focus on maintaining government funding rather than following their religious mission. [From the Wisconsin scan.]

PART III - LOCAL RESULTS AND ANALYSIS

Researchers interviewed local officials using essentially the same questions that were addressed to state officials. We reasoned that while most contract and grant activity occurs at the state level, contracts and grants are also provided by local governments as well. The results of this portion of the research were not expected to be representative of all counties (or other government jurisdictions) in each state. Our expectation regarding research at the local level was that it would allow for broad analysis.

Unlike the state-level scans, where we expected to secure information for all 50 states, the sheer number of counties in the United States was a limiting factor. We asked researchers to choose a local government, usually a county, for which they had easy access. Given the limitation on the number of local governments included in the study and the fact that the selection of local sites was not expected to be a statistically accurate representation of all counties, we were nevertheless able to address issues central to this study. What is the extent to which Charitable Choice and other state initiatives related to increasing FBO involvement in service provision have affected activity at the local level? What is the local policy environment in which FBOs operate?

The Local Policy Environment

Not surprisingly, to the extent that local governments have specifically addressed policy issues related to Charitable Choice and funding FBO-provided social services, local policies mirror state policies. For some programs, states agencies set the policy (e.g., the TANF program). For others, the state constitution or other state laws govern activity at the local level.

We found few circumstances where local policy differs from state policy. For example, a county in one state requires the establishment of a separate 501(c)(3) structure in order for an FBO to accept the funds and provide services, whereas the state does not. But this example is very much the exception. Few local agencies have developed policies that reflect Charitable Choice requirements, particularly as it relates to client notification and provision of a non-secular alternative.

As might be expected, on the whole there has been less activity on the part of local governments than at the state level to increase the level of FBO grants and contracts. One obvious reason is that many of the local

The emphasis among some in Washington, D.C. for charitable choice and a more active role in faith-based organizations participating as contracted social service providers has barely trickled down to the state let alone its localities. Instead, processes and actors remain relatively unaltered. [From the West Virginia scan.]

government agencies contacted either do not contract for services, or their contracting authority is extremely limited. But other counties are quite different. Two such counties – Allegheny County in Pennsylvania and Fairfax County in Virginia – provided data that indicates a wide range of contracts with a variety of types of FBOs.

Attempts to quantify FBO grants and contracts at the local level were less productive than research at the state level. However, researchers in a number of states were able to secure data that help document the extent of local grants and contracts to FBOs for social services. Though it should not be considered typical, data from the city of Chicago for a recent year show a substantial level of activity.

- 81 grants and contracts through the TANF program totaling more than \$7.5 million;
- 28 grants and contracts through Substance Abuse and Mental Health programs totaling more than \$12.4 million;
- 28 emergency shelter grants and contracts totaling more than \$1 million;
- 42 grants and contracts through the Social Service Block Grant totaling more than \$30 million;
- 62 grants and contracts in a range of additional programs such as child care and youth programs totaling more than \$20 million;
- And though highly unusual, an FBO has been contracted with to administer the Women, Infants and Children nutrition program with contracts exceeding \$67 million.

The majority of these grants and contracts, which exceed \$137 million, are with independent, religiously-affiliated non-profits and large national faith-affiliated social service providers.

PART IV - CONCLUSIONS

State responses to Charitable Choice legislation and related federal initiatives vary widely. Some states have launched high-level administrative initiatives and taken numerous steps to increase the level of FBO involvement in the provision of social services. But the majority of states have done less. There are likely as many reasons for this level of response as there are states. In the years immediately following the passage of federal welfare reform legislation, states were focused on implementing the new TANF program's provisions related to increasing participation in work activities, dealing with new reporting requirements, and reducing the welfare roles. More recently, state budget problems have decreased the likelihood that a state would mount a major initiative. In many states, FBOs have long been an accepted partner in the delivery of social services, and in these states at least, there was likely less impetus for a large-scale effort to increase the level of FBO participation. In other states, a strong tradition of church/state separation may have dampened enthusiasm for a major initiative.

Faith-Based Organizations provide a wide range of government-funded social services in the U.S. Our research suggests that, at least for the states for which data are available, this is true to differing degrees in all of the states. Establishing the level of such involvement is, however, exceedingly difficult. For the most part, data available from states related to grants and contracts do not distinguish between FBOs and other service providers, nor between types of FBOs. Yet we were able to determine that many of the states, perhaps more than one might imagine, contract with a range of FBOs, including small, congregation-based service providers.

In general, the grant and contract landscape has not changed significantly since the enactment of federal Charitable Choice legislation. State actions to increase the level of FBO involvement in service delivery are more in the realm of increased communication and outreach than changes in grant and contract procedures. Only a few states have enacted legislation incorporating Charitable Choice provisions or undertaken extensive reviews of state law and regulations to ensure compliance with federal law. In a few states, major initiatives with the goal of increasing FBO participation in the provision of services are underway. In a few other states, such initiatives are just beginning. High profile initiatives are more a recent phenomenon, suggesting that the Bush administration's efforts are achieving at least limited success.

Given the number of states where research indicates that there have been longstanding relationships between state and local agencies and faith-based service providers, these efforts appear to be directed toward extending grant and contract activity to reach smaller FBOs. This pattern is consistent with larger programmatic efforts to devolve decision making to the local level and to look outside government agencies for solutions to social problems.

Appendix I - BRIEF PROGRAM DESCRIPTIONS

Temporary Assistance for Needy Families (TANF) / Maintenance of Effort (MOE)

The TANF program is funded through annual block grants by the U.S. Department of Health and Human Services to individual states who must contribute their own MOE funds. Because states are allowed flexibility in administering these funds, contracting for TANF services may occur at the state, county and/or local levels with a variety of public, for-profit and non-profit organizations. Most states have a system to track these funds within the state's administrating agency (like Department of Social Services) or the state's fiscal agency.

Almost every state contracts out for direct welfare services and support services for TANF recipients. Contracting out tends to occur at only the state level or at both the state and county/local levels. Only a few occur at only the local level. Most of the direct funding provided for FBO social services is in the form of Temporary Assistance for Needy Families allocated by the state.

Welfare-to-Work

Specifically we would like to know about the WtW program that is federally funded through the Department of Labor. WtW funds are to be used for programs assisting hard-to-employ welfare recipients find stable employment. Seventy-five percent of the WtW funds are grants given to states who in turn distribute the money to community workforce investment agencies (WIA). These boards then use the funds for WtW contracts. Many FBOs providing employment related services are funded by local workforce investment boards as WtW contracts. In fact, WtW contracts provide one of the largest sources of direct public funding for FBOs.

Workforce Investment Act (WIA)

The Workforce Investment Act replaced JPTA and consolidated a number of programs funded through the Department of Labor for employment-related services, training, and education serving the unemployed and underemployed populations. The Act brought these federal and state programs all under a comprehensive one-stop service system administered by local workforce investment boards, and operated by contracted entities. The youth, adult and dislocated workers programs of WIA are funded through formula grants to states and/or localities that, in turn, fund other organizations to run the programs. A distinctive feature of WIA is that training services are funded through Individual Training Accounts, which function like vouchers. FBOs may be contracted for a variety of services under WIA.

Substance Abuse and Mental Health Services Administration (SAMHSA)

SAMHSA, through its parent agency HHS, allocates funding to states through formula or block grants. These are called the Substance Abuse Prevention and Treatment Block Grant, and the Community Mental Health Services Block Grant. The states may pass the funds on to organizations through a contracting procedure. SAMHSA also provides grants to localities through a program called "Targeted Expansion Capacity". The state's department of mental health are a good source to track the organizations receiving contracts through SAMHSA funds.

Emergency Food and Shelter Program (EFSP)

The EFSP is a program through the Federal Emergency Management Agency. It provides funding for emergency assistance. EFSP's national governing board consists of representatives from faith-based organizations like the Salvation Army, United Jewish Communities, Catholic Charities U.S.A., and the National Council of the Churches of Christ.

EFSP partners over 10,500 faith-based and community-based organizations with local governments to provide emergency assistance. This was funded with \$140 million of federal funds in Fiscal Year 2002. Like the WtW contracts that are awarded and administered by local WIAs, EFSP grants are awarded at the community level by local boards. The composition of the local boards must reflect the membership of the national board. Although the EFSP grant application is open to all qualified organizations, the local branches of the FBOs on the governing board are likely to have an advantage. Their website can assist you in identifying the organizations receiving funds by county <http://efsp.unitedway.org> (click on “Funded Organizations”).

Community Development Block Grant (CDBG)

CDBG funds are allocated annually to states in formula grants from the U.S. Department of Housing and Urban Development (HUD). CDBG funds are used for an array of housing, community and economic development activities mainly intended to benefit areas of low to moderate income residents in urban areas (although there is also a CDBG program for small cities as well). A comprehensive description of the CDBG program can be found at www.hud.gov/offices/cpd/about/cpd_programs.cfm and information on state contacts at www.hud.gov/offices/cpd/communitydevelopment/programs/contacts/index.cfm.

Emergency Shelter Program

Emergency Shelter Grants, like CDBG funds, are formula grants through the U.S. Department of Housing and Urban Development (HUD) that can go to a state, county or city. Emergency Shelter Grants fund housing activities and some prevention services for the homeless population. Funds are usually subgranted to local agencies and organizations. The department of housing of the grantee (state, county, city) administers the funds. HUD’s website offers a description of the program www.hud.gov/offices/cpd/homeless/programs/esg/index.cfm.

Social Services Block Grant (SSBG)

SSBG funds are allocated to states through formula grants from the Administration for Children and Families, Department of Health and Human Services. The states are allowed flexibility in the use and distribution of SSBG funds and can be used for just about any social service. States are required to report annually to HHS their use of SSBG funds so there should be the responsible state agency should have a management information system in place. A list of state contacts can be found at www.acf.dhhs.gov/programs/ocs/ssbg/docs/stoff.htm. States have a choice of moving a certain amount of TANF funds into SSBG funds, but when they do, they then become reported as SSBG funds.

Community Services Block Grant (CSBG)

The CSBG is funded through the Office of Community Services of the Administration of Children and Families (HHS). It is a formula grant to the States which must sub-grant at least 90% to community action agencies and other community-based organizations. These local organizations provide an array of services to low-income families and communities including emergency services, self-sufficiency programs, referrals, housing, and education. There is an official CSBG website providing detailed information on all aspects of the program including contact information for the responsible State officials and local grantees. <http://www.acf.hhs.gov/programs/ocs/csbg>

Appendix II – DEFINITIONS OF TERMS

For the purposes of this study, we defined “**faith-based organization**” as an organization that has some degree of connection to an organized faith community. These connections may take any number of forms, including an organization’s: founding; its mission statement; a shared religious ideology among staff, volunteers and/or leadership; conviction that motivates or guides actions and decisions by staff; and reliance on financial sources of a religious nature.

FBOs may or may not have explicit religious content in the programming of the social services they provide. Faith-based organizations can, in general, be identified as congregation-based, independent religiously-affiliated nonprofits, large national faith-affiliated social service providers, and coalitions or intermediaries, as defined below.

A **congregation-based FBO** is a house of worship that directly provides social services, without doing so through a distinct and separate organization. A congregation-based FBO may be a church, synagogue, mosque, or other religious institution. The social services offered by congregation-based FBOs may, or may not, be provided at the same location used for religious worship, and the social service provided by them may, or may not, contain direct religious elements within program activities or the environment (presence of religious symbols, icons, and the like) in which they are conducted. The distinguishing feature of FBOs in this category is that they do not have an institutional/organizational separation between the entity providing the social service and the house of worship itself. That public funding could go via contract or grant to social services provided by such organizations – provided they meet secular goals through secular activities – is a particular and relatively new development.

A **local religiously-affiliated nonprofit** is a social service provider that has 501(c)(3) status and is related to a religious community. Organizations of this type may at the very least have religious roots in their origin or ideology, although the services they provide may or may not have explicit religious content. A religiously-affiliated nonprofit may be local, if it is affiliated with an individual congregation, for example, or regional in its geographical service area.

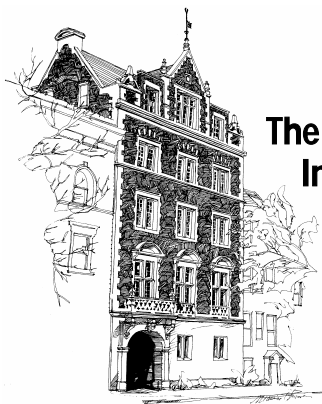
Religiously-affiliated nonprofit organizations also include groups that number among the largest providers of social services in the nation. **Multi-state or national faith-based service organizations** are usually quite secular in their programming, but may have a shared religious ideology visible in their mission statements, hiring decisions, volunteer recruitment, board membership, funding sources or other services (religious) provided. FBOs of this type, especially those providing a variety of social services to a range of clients, tend to be older and have an established history of providing social services with the assistance of government contracts. Examples of large multi-service FBOs are Catholic Charities, Jewish Family Services, Lutheran Social Services, Salvation Army, and Volunteers of America. Comparatively fewer of the large national religiously-affiliated nonprofit organizations provide a singular service to a specific population. Examples include Habitat for Humanity, Prison Fellowship, Teen Challenge and Youth for Christ. FBOs of this subtype are more likely than other national organizations to contain explicitly religious elements in their activities

A **faith-based coalition** is an organization that is composed of a number of organizations, some or all of which are faith-based themselves. The coalition is usually formed to address a deficit in a service area. The coalition sometimes shares core religious traditions but they also can be interfaith in nature. These may be difficult to identify because the coalition may not appear to be religiously-affiliated unless the sub-organizations can be identified. However, in many instances the coalition’s name contains the words “interfaith” or “ministerial alliance”.

Faith-based intermediaries are organizations that primarily serve to support the work of FBOs; typically, aiding FBOs that are smaller, more local, closer to the ground. Aid provided by faith-based intermediaries usually takes the form of training and other technical assistance on operations, finances, and administration. Often, they may serve in an umbrella or fiduciary role, acting as a conduit and intermediary manager between larger, outside sources of financial support and small FBOs operating at the community level.



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