



Implementing the Federal Faith-Based Agenda: Charitable Choice and Compassion Capital Initiatives

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Federal policies run on two tracks; one with legislative, state, and local oversight, the other outside the purview of state and local agencies and with greater potential for increased religious expression in services.

Efforts to increase the participation of faith-based organizations (FBOs) in federally funded social services are core components of President George W. Bush's domestic policies. But the last two Democratic candidates for president, Al Gore and John Kerry, also endorsed an expanded role for FBOs in federal programs, suggesting that policies to encourage FBO participation may continue under either party after President Bush leaves office.

We studied state and local contracting under three block grant programs with "Charitable Choice" provisions—Temporary Assistance for Needy Families (TANF), Substance Abuse Prevention and Treatment (SAPT), and the Community Services Block Grant (CSBG)—and one discretionary program aimed specifically at engaging FBOs in public contracting, the Compassion Capital Fund. All four programs are administered by the Department of Health and Human Services. Our findings draw on semistructured face-to-face interviews with public officials, program managers, and faith-based service providers in three cities—Birmingham, Boston, and Denver—selected for regional, religious, and demographic diversity. We conducted site visits between October 2004 and May 2005 and supplemented what we learned on site with follow-up telephone interviews and analysis of program and budget data.

The study offers an opportunity to compare FBO participation resulting from Charitable Choice legislation with FBO participation in initiatives that operate without legislative or regulatory guidance and without the involvement of state or local government. It also provides an in-depth look at the role of faith in publicly funded programs. A companion paper (Kramer et al.

2005) provides more extensive discussion of our findings.

Charitable Choice and the Faith-Based Initiatives

Increased attention to FBO involvement in federal contracting began with the August 1996 welfare reform law that created TANF, and which included provisions governing state contracts with FBOs for TANF services. Similar provisions, known collectively as Charitable Choice, were subsequently inserted into the statutes governing the block grant programs for CSBG (October 1998) and SAPT (October 2000).¹ TANF, CSBG, and SAPT are all block grants, fixed-sum federal grants to state governments that give states flexibility to design and implement programs for broad purposes such as assistance for needy families, substance abuse prevention and treatment, and community services (Finegold, Wherry, and Schardin 2004a, 2004b).

The Charitable Choice provisions ensure that FBOs can maintain their religious integrity, including internal governance structure and display of religious symbols and art, while contracting with the states. The provisions also specify that FBO contractors retain an exemption from Title VII of the 1964 Civil Rights Act, which allows them to include religion as a factor in hiring decisions and employment practices. Federal and state governments, furthermore, are prohibited from discriminating against FBOs in contracting decisions.

The Charitable Choice provisions also establish protections for clients who receive federally funded services. If a client objects to the religious character of a provider to

which he or she has been referred, the appropriate government entity must offer an alternative provider. The SAPT Charitable Choice provision requires that clients are given explicit notice of their right to an alternative provider; TANF regulations include a similar requirement. The statutes governing all three programs address the separation of church and state by prohibiting the use of government funding to support “sectarian worship, instruction, or proselytization.”

Legislation that would expand Charitable Choice to other social programs has been stalled in the Senate since 2001. In the absence of legislated expansion, the Bush administration has adopted a proactive strategy of using executive orders, regulations, and discretionary grants to broaden involvement of faith-based organizations in federal social programs. The White House retains lead responsibility for the faith-based initiatives, maintaining an active presence for outreach, dissemination, and technical assistance. It hosts conferences around the country, maintains a web site to provide information and assistance, and uses an extensive e-mail list to tell potential partners in the faith-based community about government contracting opportunities.

In addition to the White House Office of Faith-Based and Community Initiatives, the administration has created offices in eight cabinet departments and two federal agencies to identify and rectify barriers to participation of faith- and community-based organizations (CBOs) in government contracting. And the administration has created new discretionary grant programs to engage FBOs and CBOs in public funding, one of which is the Compassion Capital Fund (CCF). The Fund was established with a special appropriation in fiscal year (FY) 2002 of \$30 million to build capacity in small FBOs and CBOs by providing technical assistance through intermediary organizations and distributing small sub-awards. CCF received an additional appropriation in FY 2003 for a Targeted Capacity-Building (Mini-Grant) program that awards \$50,000 grants directly to FBOs and CBOs. Appropriations for CCF through FY 2005 total \$155 million.

FBO Contracting in FY 2004

To assess the extent of current contracting with FBOs, we asked state and local officials and CCF intermediaries to identify faith-based contractors and indicate their share of local contracting.

Table 1 shows the FBO shares of contracts and contract dollars in the three block grants in FY 2004. In cases where the

agency identified an organization as an FBO but the contractor did not identify itself that way, we report the larger number identified by the funding agency in parentheses.² As the table shows, only small portions of total contracts or total contract dollars under the block grants went to FBOs.

Faith-based contractors in these programs were predominantly nonprofit agencies that had been receiving public funding for many years.³ The combination of limited numbers of providers able to meet public contracting requirements and the absence of any new funding resulted in little change in contractors in the study sites. The numbers and types of contractors also reflect the structure of each block grant and the overall policies that govern contracting in each site.

Temporary Assistance for Needy Families (TANF)

The TANF block grant, which replaced the Aid to Families with Dependent Children welfare entitlement, emphasizes achievement of economic independence and limits the use of cash assistance. States thus use their block grant funds to pay both for cash assistance and for a range of services including child care, employment assistance, mental health and substance abuse treatment, marriage and fatherhood programs, and other services to facilitate economic independence (Weil and Finegold 2002). These non-cash benefits are typically delivered through contractual arrangements with other public agencies or provider organizations, some of which may be FBOs.

Because TANF block grant amounts were based on spending before 1996, when caseloads were high, the dramatic caseload declines that resulted from welfare reform and a strong economy freed up funds to spend on services that would otherwise have been spent on cash assistance. Although contracting for services has increased, the number of FBO providers that can meet the demands of public contracting, including such TANF performance requirements as job placement or retention goals, is often very limited. TANF agencies had more FBO contractors in the study sites in 2004 than SAPT or CSBG, but that number still represented less than 2 percent (in Birmingham) to about 20 percent (in Boston) of total contract dollars.

Substance Abuse Prevention and Treatment Block Grant (SAPT)

Substance abuse prevention and treatment are typically procured under contract,

TABLE 1. Scope of FBO Contracting for Direct Services under Block Grant Authorities, State Fiscal Year 2004

	TANF ^a	SAPT ^b	CSBG
Birmingham	1 of 8 contracts; 1.7% of \$617,270	0 of 9 contracts; 0% of \$8.8 million	0, no contracting 0% of \$1.5 million
Boston	16 (19) ^c of 85 contracts; 18.8% (20.8%) of \$21.9 million	6 of 85 contracts; 7.4% of \$23.4 million	0, no contracting 0% of \$5.6 million
Denver	4 of 27 contracts; 14.9% of \$3.5 million	1 of 21 contracts; 1.9% of \$14.2 million	4 (5) ^d of 25 contracts; 16.5% (20.6%) of \$0.7 million

Notes: Program contracting specific to localities only (does not include contracting for statewide services). In some cases, contracts are funded in part by the state or funded wholly by the state but counted toward the TANF maintenance-of-effort requirement. Amounts are based on contract amounts in some cases and final payment amounts in others, depending on the information provided by state and local agencies.

^a All TANF contracts in Birmingham were with the Alabama Department of Human Resources; one contract served multiple counties, including Jefferson County. Boston TANF contracts were with the Massachusetts Department of Transitional Assistance, the Massachusetts Children's Trust Fund, and the Massachusetts Department of Education/Boston Public Schools. Thirteen contracts in Boston were held by four faith-based vendors. Three contracts in Denver were held by one faith-based vendor.

^b Signal Behavioral Health Network is responsible for services in Denver; contracts under Signal serve a substate planning area made up of eight counties, including Denver County. Two contracts for substance abuse treatment in Boston were held by one vendor.

^c Two vendors (with three contracts) were identified as faith-based organizations by administrators but did not self-identify as faith-based.

^d One vendor identified as a faith-based organization by administrators did not self-identify as faith-based.

sometimes using intermediaries for contract management and performance monitoring. For Birmingham, the quasi-public JBS Mental Health Authority has responsibility for fiscal oversight of substance abuse treatment providers in Jefferson County (which includes Birmingham) and two neighboring counties. In Denver, a managed care organization, Signal Behavioral Health Network, has full oversight responsibility. State licensing and certification requirements typically govern substance abuse treatment and, sometimes, prevention services. These requirements limit the field of eligible providers and may in turn limit the number of FBOs that can receive public funds.

Table 1 shows that SAPT funding of FBO contractors ranged from zero in Birmingham to a little over 7 percent in Boston. In Denver, one FBO contractor received SAPT funding in FY 2004 but has since withdrawn from the Signal network.

Community Services Block Grant (CSBG)

The Community Services Block Grant supports a wide range of services for low-income populations, such as child care, adult education, job training, energy assistance, and emergency shelters. CSBG funds can be used to support service coordination and administrative costs as well as direct services, and is therefore often described as the glue that holds a wide variety of local service programs together. CSBG funds are typically administered by local community action agencies (CAAs), quasi-governmental nonprofits that can provide services in-

house or contract with local providers. Neither the Birmingham CAA (Jefferson County Committee for Economic Opportunity) nor the Boston CAA (Action of Boston Community Development) contracts with any outside organization to provide services. Both CAAs, however, collaborate with local FBOs, sometimes using memoranda of understanding to establish formal terms for exchanging in-kind services.

Under a long-standing federal waiver now incorporated into statute, the Colorado program has an unusual structure that relies on county governments (and multi-county authorities in rural areas) rather than CAAs for administration. In Denver, the county Department of Human Services administers CSBG and contracts with many organizations to deliver services. As table 1 shows, nearly 17 percent of Denver CSBG funding went to FBOs in 2004.

Compassion Capital Fund (CCF)

The Compassion Capital Fund, designed explicitly to engage small FBOs and CBOs in public funding, presents a very different picture from the block grants. As table 2 shows, nearly 50 percent of subawards granted by the intermediary organization in Boston and just over 70 percent in Denver were made to FBOs. None of the CCF intermediary grants awarded to date have gone to organizations in Birmingham.

The mix of FBO and CBO subaward grantees reflects in part the governing partnerships that were crafted between the intermediary grantees and local organizations, and in part the differences in the objectives and application procedures used

to select subgrantees. The intermediary in Boston, the United Way of Massachusetts Bay, partnered with three church-based organizations (the Black Ministerial Alliance, Emmanuel Gospel Center, and Boston TenPoint Coalition), but strove to disperse subawards evenly among CBOs and FBOs. The intermediary in Colorado, JVA Consulting, delegated major responsibility for subaward selection in Denver to one of its partners (the Metro Denver Black Church Initiative) specifically to reach the African American community. Most subgrantees within the city were ministries or congregation-based programs.

In the CCF Mini-Grant program, which gives one-year \$50,000 grants directly to FBOs and CBOs for services to at-risk youth, homeless populations, rural communities, and healthy marriage initiatives, two of the four Mini-Grant recipients in the study sites were FBOs and the other two grantees partnered with FBOs (table 3).

Implementation Challenges

Despite differences in political environments and local cultures, government agencies in all three sites looked to FBOs, as contractors or community partners, to provide human services, fill critical service gaps, and serve individuals that public bureaucracies and large social service non-

profits found hard to reach. FBO participation was more often constrained by budget and organizational capacity than by ideological disinclination of funding agencies to foster ties with the religious community.

States have used different techniques to increase engagement of FBOs in public funding. Alabama created a Governor's Office of Faith-Based and Community Initiatives in 2004. The office had begun systematic outreach across program lines and was facilitating conversations with FBO leaders to develop new credentialing standards that might advance FBO participation in substance abuse support services. Colorado had undertaken substantial outreach efforts to attract new providers of substance abuse prevention services, but found few FBOs able to submit a successful grant application or meet documentation, licensing, and regulatory requirements to be eligible for public funding. Massachusetts, already heavily engaged with FBOs for various human service programs, saw no need to reach beyond current contracting processes. Since our visit, however, the governor has appointed a coordinator for faith-based initiatives.

Officials in Boston and Denver did not see a large untapped pool of FBOs willing and able to work with government. Alabama, a state with a deeply religious culture, was more hopeful, but was only in the

TABLE 2. *Compassion Capital Fund Demonstration Grant Program by Site*

Intermediary grantee and partners		Subawards to FBOs
Birmingham	None	None
Boston	United Way of Massachusetts Bay^a \$2 million in each year to serve at-risk youth Partners: Black Ministerial Alliance (FBO) Boston TenPoint Coalition (FBO) Emmanuel Gospel Center (FBO)	15 of 32 subawards; 46.4% of \$784,680
	Community Technology Centers' Network \$1.5 million in 2004 to serve at-risk youth and/or homelessness Partners: Alliance for Technology Access TechMission (FBO)	CTCNet did not make subawards in Massachusetts until 2005
Denver	JVA Consulting, LLC^b \$1 million in each year to serve unemployment and welfare-to-work; at-risk youth; homelessness and hunger; offenders and children of incarcerated parents; and/or alcohol/drug/mental illness rehabilitation Partners: Colorado Nonprofit Development Center Metro Denver Black Church Initiative (FBO) Sacred Landmarks Preservation of Historic Denver	12 of 16 subawards; 72.3% of \$113,600

Notes: The partner organizations listed here were the primary partners named by the intermediary organization; other partners may have participated at some point in the CCF grants. Amounts listed are those awarded in the study site only.

^a Subawards in the first year of the grant were given to FBOs and CBOs in five Boston neighborhoods. In 2003 and 2004, FBOs and CBOs in the City of Boston were eligible to apply for funding. Also in the same two years, the Black Ministerial Alliance became the lead agency for the CCF grant.

^b The subaward recipients listed include only those that operated in Denver, the study site. All FBOs and CBOs located statewide were able to apply for subawards from JVA and its partners.

TABLE 3. *Compassion Capital Fund Mini-Grant Program by Site*

Birmingham	Glenwood, Inc. \$50,000 in 2004 to serve at-risk youth Partners: AGAPE of Central Alabama, Inc. (FBO) Children's Aid Society Gateway Family Services
Boston	Emmanuel Gospel Center, Inc. (FBO) \$50,000 in 2003 to serve the homeless and at-risk youth
Denver	Community Housing Services, Inc. \$50,000 in 2003 to serve the homeless Partners: Denver Inner City Parish (FBO) St. Barnabas Episcopal Church (FBO) The Center for Community Excellence and Social Justice (FBO) \$50,000 in 2004 for healthy marriage

Note: Funding totals are rounded in some instances.

nascent stages of developing a new state procurement process and in the early stages of its faith-based initiative.

Advocates and critics alike expressed concern about the ability of many FBOs to meet the requirements of government contracting. Small FBOs, congregations in particular, often lack well-developed organizational and financial structures, including appropriate governing boards, financial record keeping, fundraising, and employment practices. The transition from a church to a nonprofit structure can be a major hurdle. Many churches lack full-time staff, which makes it difficult for them to routinize interaction with clients or program monitors. Efforts to improve the accountability of both government and contractors have resulted in additional reporting requirements necessitating the use of sophisticated management information systems; both can create challenges for even the most seasoned contractors.

CCF intermediaries provide extensive technical assistance, including workshops and tutorials on how to set goals, develop logic models for program design, establish and maintain financial and client tracking systems, and otherwise meet the rigors of sound program management and public contracting. Whether recipients of this assistance become able competitors for public funding, and whether newly funded activities under subaward grants will be sustainable over time, is unknown. Some CCF grantees remained unenthusiastic about the strings attached to working with the government, including restrictions on faith in program content.

In addition to management challenges, many FBOs are isolated from the larger service delivery system that includes both

public agencies and specialized professionals. They may partner within the faith community but are often reluctant or unable to forge relationships with other providers, and are therefore less able to bring in outside professionals to deal with challenging client issues or to refer clients out for additional or more appropriate care.

The Role of Faith

The perception that current policies may diminish the historic separation between religion and publicly funded services drives much of the interest in the new policies. Faith content, separation, and the degree to which participation in religious activities is voluntary are not routinely monitored. Monitoring faith-based contractors is generally connected with financial audits, conducted according to the same standards applied to other contractors, including periodic written reports (covering matters such as units of service, numbers of clients, length of treatment, and disposition of cases) and perhaps one or more site visits during a contract year. Attention to faith expression in the facility or in the content of services is typically not part of formal monitoring protocols and likely to be slight or serendipitous. Agencies would learn about faith expression or problems it posed only by happenstance.

Public officials and program administrators generally saw the legal restrictions in terms of a prohibition on proselytizing, and they attempted to separate religious services and make participation voluntary. The lines of separation can be quite porous and the degree of voluntariness problematic. For example, one long-standing contractor of substance abuse services required

all participants to attend chapel but did not require worship. One TANF contractor asked about spirituality at intake, and, with clients' permission, urged them to seek God and referred them to churches in the area. A CCF subaward grantee used religiously directed, God-affirming, and Christian-based mentoring to motivate at-risk youth, but used public funding only for case management. In one prisoner reentry program receiving CCF funds Bible study and church attendance were mandatory.

Few block grant contractors reported religious expression in the content of services, while most of the CCF grantees we interviewed reported religion in some aspect of program services.⁴ The effects of passive expressions of religion, observed in both long-standing contractors and those new to public funding, warrant renewed consideration. For example, offering Bible stories as reading primers for children in an after-school program may have the effect of religious persuasion. Similarly, a life-size statue of the Madonna greeting clients on entry may inhibit some women from seeking referrals for contraception or abortion services from an agency whose policies prohibit offering these services directly.

The right to choose an alternative to a faith-based provider of substance abuse and TANF-funded services, and who is responsible for providing that notice—the referring agency or the service provider—are also problematic. No sites had developed formal mechanisms to address the right to an alternative provider for TANF services, and officials were uncertain how the issue would be handled. Substance Abuse and Mental Health Services Administration regulations governing SAPT block grants included a model notice, but the Boston and Denver sites were still in the process of implementing it. In Alabama the state had not prescribed any mechanism for notification.

Access to alternatives depends on service availability, especially problematic in rural and underserved areas. In Alabama, the average waiting time for substance abuse treatment was 18–25 days, and nearly two-thirds of clients in treatment were court-referred, making them unlikely to jeopardize a release from custody by rejecting a placement with an FBO. Many involuntary commitments involve individuals with mental health disorders, who would not be well-positioned to exercise free choice.

How deeply any aspects of the law penetrate to subcontractors is an open question. CCF subawards often support congregation-based programs in which religiosity may be an integral part of the service intervention. Further, monitoring and reporting require-

ments for grants, in contrast to contracts, are typically less extensive.

Conclusions

Implementation of the federal faith-based initiatives is still evolving, and we draw three general observations from our findings for local, state, and federal administrators attempting to respond to the new policies.

First, increased contracting is not the only way to increase FBO involvement in public programming. In the context of continuing funding constraints and the paucity of new faith-based providers ready to meet public contracting requirements, increased contracting would typically require a redistribution of funds among a finite inventory of providers or substantial accommodation by providers who have not sought public funding previously. But state and local agencies have found other ways to work with the religious community, including arranging mutually supportive in-kind contributions of services, helping FBOs increase organizational competence, and linking individuals in FBOs to professional service providers in the larger delivery system.

Second, federal policies regarding FBO involvement run on two largely independent tracks. The block grants operate under legislative and regulatory guidance, with state and local oversight of policy and program implementation. CCF, in contrast, involves direct federal grants to non-governmental organizations, outside the purview of state and local agencies. As a consequence, the program poses several issues for oversight of program activities.

Many subawards are congregation- or ministry-based, with greater potential for increased religious expression in services. Public officials and CCF intermediaries should carefully monitor subaward activities and ensure that program operators understand the legal boundaries of religion in publicly funded services. Also, CCF subgrantees are rarely well connected to the larger human service delivery system. Grants may result in duplicated services in a service delivery system straining to provide needed services with increasingly tight budgets and scarce resources. Grantees may be reluctant to reach out for help, and clients are unlikely to get additional or specialized assistance, through consultation with other professionals or referral to other providers. CCF intermediaries and public agencies would do well to increase both the opportunities and incentives for linking CCF activities to the larger provider network in order to enhance clients' ability to reach a broader array of services.

Overall, CCF is aimed principally at building capacity in small organizations, and evaluating the effectiveness of CCF-funded activities has not seemed a high priority for federal officials. Concern with program designs that would be amenable to evaluation down the line and sustainable over time, particularly for congregations new to delivering programmatic services, should be elevated in importance.

Third, public officials should better monitor the influence of faith on the behavior of organizations and the content of services, as evidenced in both long-standing FBO contractors and newcomers to public funding. Agencies and providers should ensure clients' ability to receive alternative services when desired, notify clients of their rights in this regard, and be especially sensitive to the potential for compromising those rights when alternatives are in short supply or clients cannot make informed judgments. Monitoring the role of faith in new discretionary programs that may be congregation- or ministry-based, and are without well-articulated safeguards, is especially important. New federal initiatives, such as the Access to Recovery program that provides vouchers for individuals to pay for substance abuse treatment or support services, may involve new FBO providers and require similar attention.

Notes

1. The Charitable Choice provisions are in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193), Section 104; the Children's Health Act of 2000 (PL 106-310), Section 3305; and the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (PL 105-285), Section 201, for TANF, SAPT, and CSBG, respectively.
2. "Faith-based" is a term of art that emerged from the recent policy shifts and has no widely shared definition. Organizations with religious connections include large national affiliates that have been receiving public funds for many years to deliver services in a generally secular manner and other independent or local organizations, such as community hospitals, smaller community-based facilities, and congregations. The range of organizational types and religious connections often muddies analyses of FBO participation in public programming.
3. In Birmingham, the FBO contractor was Christian Service Mission. In Boston the FBO contractors were Catholic Charities, Franciscan Hospital for Children, Jewish Children and Family Service, Most Holy Redeemer, Salvation Army, St. Elizabeth's Medical Center, St. Mary's Women and Children's Center, Volunteers of America, and YMCA. In Denver, the FBO contractors were Catholic Charities, Jewish Family Service, Salvation Army, Shalom Denver, St. Francis Center, and Volunteers of America.
4. Only two of the thirteen FBO block grant contractors reported offering voluntary religious exercise, four sometimes used religious concepts to motivate clients, and one encouraged clients in religious commitment. In contrast, six of the eight CCF grantees reported that they used voluntary religious exercises

or Bible study, five opened or closed services with prayer or used religious concepts to motivate clients, and two encouraged clients in religious commitment.

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