



## **Nonprofit and Faith-based Organizations: The Face of Future Government Reform**

Stephen M. King, Ph.D.

There is growing support for nongovernmental actors to operate in policy areas once dominated by government. These actors, including nonprofit (NP) and faith-based organizations (FBO), are increasing in numbers and influence. Since 2001, the federal government, especially under President Bush's first administration, and development of the White House Office of Faith-Based Organizations and Community Initiatives (FBOCI), and along with many cooperative state and local government efforts, has tried to meet many of the public's demands for social and welfare services through the use of faith-based organizations.

The United States has moved from an intergovernmental to an "inter-sectoral"<sup>1</sup> or "inter-organizational"<sup>2</sup> administrative and policy system, one where the working relations between units of government are no longer sufficient to meet increasing societal and citizen demands for service delivery. Instead, it requires that government agencies, departments, and organizations work with various private, nonprofit, and faith-based organizations to effect policy changes and deliver vital public services. Defining and fulfilling the public interest is no longer the sole domain of government.

Nonprofit or voluntary organizations contribute a great deal to the service economy. The number and revenue generation of nonprofits is tremendous. By most accounts, the total number of nonprofits increased from 1.1 million in 1995 to 1.4 million in 2005, a 27.3 percent change.<sup>3</sup> By 2005, public charities reporting to the Internal Revenue Service (IRS) declared revenues of over \$1 trillion (a 56 percent increase adjusted for inflation since 1995) and assets equaling nearly \$2 trillion (an 84 percent increase adjusted for inflation since 1995).<sup>4</sup> Private charitable contributions reached over \$295 billion in 2006, an increase of nearly 30 percent in current dollars (but only 10 percent in constant dollars) since 2000. Approximately one-third of private giving in 2006 went to congregations and other religious organizations (what we call "para-church" organizations). Finally, foundation giving exceeded \$36 billion in 2005, which was a 142 percent increase since 1995, adjusted by inflation.<sup>5</sup>

In addition, the number of NP volunteers rose dramatically—largely because of the 9-11 effect—to approximately 15 million, with nearly 13 billion volunteer hours logged.<sup>6</sup> The Johns Hopkins University Center for Civil Society Studies reports that U.S. nonprofits had 9.4 million paid workers and another 4.7 million "full-time equivalent" volunteers, for a total workforce of 14.1 million as of mid-2004.<sup>7</sup> This equates to over eight percent of the wages and salaries paid in the United States.<sup>8</sup> The growth and influence of the NP and FBO world is staggering.

What are FBOs? FBOs are nonprofit entities that are linked with the requisite jurisdictional religious community, whether Christian or non-Christian, including congregations, denominations, and national networks, that because of their religious and spiritual roots and impact are being called upon to play a greater role in implementing, administering, and managing certain public services. It is clear that FBOs are becoming a larger part of the community development movement, one that tries to build upon the existing social and religious structure that is part of the community.<sup>9</sup>

FBOs gained political strength with passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which included Section 104 or the Charitable Choice (CC) amendment. The CC amendment called for nondiscrimination and equal access of federal funding, primarily with regard to state and federal Temporary Assistance for Needy Families (TANF) funds toward religious or religiously-affiliated

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organizations that provided human welfare or social services. It was expanded to include the Welfare-to-Work grants program, the Community Services Block Grant, and some substance abuse and mental health services programs.<sup>10</sup>

FBOs seem to work. In a 2003 study of five different types of welfare-to-work programs in the urban areas of Los Angeles County, researchers found that FBOs were most effective in increasing clients' hope and optimism for the future.<sup>11</sup> In a 2008 World Magazine spread, ten para-church organizations operating throughout the U.S. were addressing the needs of indigents, homeless, addicts, prostitutes, mentally ill, and many others.<sup>12</sup>

Several federal and state agencies have successful faith-based programs. The Department of Justice's Office of Justice Program, for example, houses many of the FBOs that provide services in the areas of prisoners and families, victims, and drug-related issues.<sup>13</sup> Iowa, too, offers a state-appointed Faith-Based and Community Initiative Liaison who also serves as the Director of the Larned A. Waterman Iowa Nonprofit Resource Center. Through 2006, Iowa received \$204 million through over 400 grant awards, with 92 percent going to secular nonprofits (\$189,000,000) and eight percent (\$15,000,000) going to FBOs. One of the more important FBOs is Mentoring Children of Prisoners, which distributed \$1.3 million in five different Iowa cities.<sup>14</sup>

One of the key drawbacks of FBOs is their alleged violation of the "separation of church and state" principle. Particularly prominent is the CC's provision that prohibits government from stopping FBOs hiring employees based on their religious preference.<sup>15</sup> FBOs argue that unless they are able to hire individuals who hold to their specific religious and faith viewpoint, then the organization is ultimately defeating itself by not providing a unified front in the service delivery. The opponents' position, of course, is that no government funds should be spent on acts of hiring discrimination.

The role and function of NPs and FBOs is to address the community demands and needs with a human touch, and to work with the government. The time to think outside of the governmental box is not the future; it is the present. Government alone is not the sole answer to fulfilling the public interest.

#### Endnotes:

<sup>1</sup> Nicholas Henry, *Public Administration and Public Affairs*, 9th ed., Prentice Hall, Upper Saddle River, NJ, 2004, pp. 331, 360.

<sup>2</sup> Robert B. Denhardt and Joseph W. Grubbs, *Public Administration: An Action Orientation*, 4th ed., Thomson-Wadsworth, Belmont, CA, 2004, p. 106.

<sup>3</sup> *Ibid.* p. 2.

<sup>4</sup> *Ibid.* p. 2.

<sup>5</sup> *Ibid.* pp. 3, 4, 5-6.

<sup>6</sup> Amy Blackwood, Kennard T. Wing, and Thomas H. Pollak. *The Nonprofit Sector in Brief*, Urban Institute Press, Washington, D.C., 2008, p. 6.

<sup>7</sup> Charles Storch, "Illinois Has the Fifth-Largest Non-Profit Workforce in U.S.," *Chicago Tribune*, December 28, 2006, sec. 5, p. 4.

<sup>8</sup> The Urban Institute, National Center for Charitable Statistics, "Quick Facts About Nonprofits," <[www.ncces.urban.org/statistics/quickfacts.cfm](http://www.ncces.urban.org/statistics/quickfacts.cfm)> (October 13, 2008).

<sup>9</sup> Office of Policy and Development, "Faith-based Organizations in Community Development," U.S. Department of Housing and Urban Development, <[www.huduser.org/publications/commdev/faithbased\\_execsum.html](http://www.huduser.org/publications/commdev/faithbased_execsum.html)> (October 2007).

<sup>10</sup> Rachel M. Haberkern, "Implementing Charitable Choice at the State and Local Levels," *Welfare Information Network: Issue Notes*, Vol. 6, No. 5, July 2002, <[www.welfareinfo.org/implementingcharitablechoiceIN.htm](http://www.welfareinfo.org/implementingcharitablechoiceIN.htm)> (October 2007).

<sup>11</sup> Stephen V. Monsma and J. Christopher Soper, *What Works: Comparing the Effectiveness of Welfare-to-Work Programs in Los Angeles*, University of Pennsylvania, Center for Research on Religion and Urban Civil Society, Philadelphia, PA, 2003, p. 5.

<sup>12</sup> Lighthouse Ministries, Lakeland, FL; New Life Center, Franklin, VA; Fresno Rescue Mission Academy, Fresno, CA; Southside Mission, Peoria, IL; Faith in Action, Grand Rapids, MI; Promise of Hope, Dudley, GA; Redwood Gospel Mission, Santa Rosa, CA; A Way Out, Memphis, TN; Harvey House, Chicago, IL; and Panama City Rescue Mission, Panama City, FL.

<sup>13</sup> *The Quiet Revolution: The President's Faith-Based and Community Initiative: A Seven-Year Progress Report Letter From President Bush*, Chapter 1: "A Determined Attack on Need," February 2008, <[www.whitehouse.gov/government/fbci/qr1.html](http://www.whitehouse.gov/government/fbci/qr1.html)> (October 11, 2008).

<sup>14</sup> "The President's Faith-Based and Community Initiative in 50 States: A Report to the Nation's Governors," *The Quiet Revolution: The President's Faith-Based and Community Initiative: A Seven-Year Progress Report Letter From President Bush*, February 2008, <[www.whitehouse.gov/government/fbci/qr6.html](http://www.whitehouse.gov/government/fbci/qr6.html)> (October 11, 2008).

<sup>15</sup> Gretchen M. Griener, "Charitable Choice and Welfare Reform: Collaboration between State and Local Governments and Faith-Based Organizations," *Welfare Information Network: Issue Notes*, Vol. 4, No. 12, September 2000, <[www.financeprojectinfo.org/Publications/issuenotecharitablechoice.htm](http://www.financeprojectinfo.org/Publications/issuenotecharitablechoice.htm)> (October 2007).

*Dr. Stephen M. King is Research Vice-President of Public Interest Institute*

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