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Guidance to Faith-Based  
and Community Organizations  
on Partnering with the  
Federal Government

WHITE HOUSE  
FAITH-BASED  
AND  
COMMUNITY  
INITIATIVES

*“The indispensable and transforming work of faith-based and other charitable service groups must be encouraged. Government cannot be replaced by charities, but it can and should welcome them as partners. We must heed the growing consensus across America that successful government social programs work in fruitful partnership with community-serving and faith-based organizations.”*

*President George W. Bush*



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## GUIDANCE TO FAITH-BASED AND COMMUNITY ORGANIZATIONS ON PARTNERING WITH THE FEDERAL GOVERNMENT

**The guiding principle behind President Bush's Faith-Based and Community Initiative is that faith-based charities should be able to compete on an equal footing for public dollars to provide public services. President Bush believes that the Federal government, within the framework of Constitutional church-state guidelines, should encourage faith-based charities to reach out with compassion to help even more people in need.**

**T**oo many Americans are homeless, hungry, or hurting. Some struggle to get off of welfare or drugs or both. Others are seniors who can't make it on their own, or children with parents in prison. In every corner of America, there are people of all ages in need of help.

Faith-based and community groups are the unsung heroes in helping Americans in need. Their compassionate care and neighborly love turn lives around and provide hope where it has been missing. These groups do not provide care because they have to, but because they want to.

Every year, the Federal government spends billions of dollars for health and human service programs. When it comes to faith-based or small charities, however, the government has made it difficult – and sometimes impossible – for these groups to provide Federally-funded services. Bureaucratic and administrative obstacles abound. Program officers are often unfamiliar with the work that faith-based and community groups do. In August 2001, the White House Office of Faith-Based and Community Initiatives released a report, *Unlevel Playing Field*, that identified many of the barriers that faith-based and community organizations face in accessing Federal funds.

The guiding principle behind President Bush's Faith-Based and Community Initiative is that faith-based charities should be able to compete on an equal footing for public dollars to provide public services. President Bush believes that the Federal government, within the framework of Constitutional church-state guidelines, should encourage faith-based charities to reach out with compassion to help even more people in need.

The President's proposal builds upon our Nation's finest traditions. Today, there are thousands of faith-based and community organizations across the country that receive Federal funds. Some of these organizations receive money directly from the Federal government. Others get it through a State, city, or local government that itself receives Federal funds. Still others receive money through large, non-profit organizations that the Federal government funds.

Faith-based organizations use funds like these to serve our communities in very important ways. For instance, more than two-thirds of Federally-supported residences for the elderly are operated by faith-based organizations. And about one in every six child-care centers is housed in a religious facility. In fact, the Nation's largest "chains" of child-care services are not commercially owned, but rather operated by the Roman Catholic Church and the Southern Baptist Convention. The number of centers in religious facilities is growing faster than the total number of centers. In addition, religiously affiliated hospitals received more than \$45 billion in 1998 from Medicare, Medicaid, and other government funding programs. These statistics show that the use of government money by faith-based organizations is not new.

Despite this long-standing tradition, there are still a lot of questions surrounding faith-based organizations and their funding by government money. Some wonder, "If we run a soup kitchen that gets some of its money from the Federal government, can we say a prayer before we serve a meal?" Others ask, "Will I have to remove all religious content from my program?" There are many faith-based groups that want to hire people of the same faith, so they ask, "If we accept Federal funds, will we have to change the way we hire employees?" These are just some of the questions that this brochure will try to address.

*"One of my most important initiatives is the Faith-Based and Community Initiative, because I recognize that government can hand out money, but what it cannot do is put hope in people's hearts or a sense of purpose in people's lives. What I want to do is unleash the great compassion of America, by changing America one heart, one soul, one conscience at a time."*

*President George W. Bush*

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# HELPING THOSE IN NEED: AN OVERVIEW OF THE FEDERAL GRANTS PROCESS

**If you are in the business of caring for people in need, you understand that resources are needed to do the work effectively. And chances are that if you had a little more money, you would be able to help more people and do your work better. If you run an organization to help those in need, you may be eligible to receive Federal money through grant programs.**

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## What kinds of grants are available from the Federal government?

The Federal government uses two kinds of grants:

Grants handed out by an agency of the Federal government (also known as “discretionary” grants) – for instance, a homeless assistance grant given out by the Department of Health and Human Services to a homeless shelter.

Grants that put Federal money in the hands of States, cities, or counties for them to distribute to charities and other social service providers, usually under their own rules and regulations (also known as “formula” or “block” grants).

Therefore, you can apply directly to the Federal government or you can apply for funds to an entity that distributes money it receives from the Federal government.

**More money is available from programs administered by States and localities than from the Federal government directly. For example, in 2004, the Department of Health and Human Services awarded \$38 billion directly to grant applicants, but it gave \$218 billion to States and localities, which in turn made much of this money available to non-governmental organizations.**

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## How can my organization find out about Federal grants?

The White House Office of Faith-Based and Community Initiatives has prepared a list of general information about more than 150 programs operated by the Departments of Agriculture, Commerce, Education, Health and Human Services, Housing and Urban Development, Justice, Labor, and Veterans Affairs, the Small Business Administration, and the U.S. Agency for International Development. The list – which is available in the brochure *Federal Funding Opportunities for Organizations that Help Those in Need* and at [www.fbc.gov](http://www.fbc.gov) – includes programs from these agencies that are of interest to small, grassroots groups. Use this list as a starting point to find about opportunities that may interest you.

Once you find a program that interests you, you can get more information about when and how you can apply for funds from the agency contact in the listing. You can also use the Catalog of Federal Domestic Assistance, or CFDA, as a resource. To use the CFDA, locate the CFDA number from the information provided in the list in *Federal Funding Opportunities for Organizations that Help Those in Need*. Go to the CFDA website ([www.cfda.gov](http://www.cfda.gov)) and search for assistance programs by program number (i.e. the CFDA Number).

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## **How do I go about applying for a Federal grant?**

All Federal grants must be announced to the public. These announcements (sometimes called a “Program Announcement,” “Request for Proposal,” “Notice of Funding Availability,” or “Solicitation for Grant Applications”) are the Federal government’s way of looking for charities and other groups to provide a Federally-funded service.

Each grant announcement will contain instructions on how to apply, including where to get an application packet, information the application should contain, the date the application is due, and agency contact information.

Grant announcements are issued throughout the year. The majority of grant announcements are listed on Grants.gov, the single access point for over 1,000 grant programs offered by all Federal grant-making agencies. The Catalog for Federal Domestic Assistance ([www.cfda.gov](http://www.cfda.gov)) also contains information about grant announcements. In addition, agency websites contain information on funding opportunities.

Many States and cities also have liaisons that can help faith-based and community applicants identify grant opportunities.

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## **We are a small organization and we can’t afford to hire a grant writer, accountant, and lawyer to help us seek a Federal grant. Is there any help for us?**

Most Federal agencies have experts who are available to help organizations apply for and manage their grants. Applicants may call the official identified in the grant announcement or contact an agency’s regional office. These agency staff are available to answer questions over the phone. They may also refer applicants to local or nearby technical assistance workshops or to organizations that are under contract with the Federal government to provide this kind of assistance.

Assistance may also be available from one of the over thirty organizations funded by the Department of Health and Human Services’ Compassion Capital Fund. These organizations help small faith-based and community organizations learn about the grants process. They may also help small groups with other challenges, such as training volunteers and staff or expanding the reach of the services they provide. They do this at no cost to your organization. You can learn more about the Compassion Capital Fund and the organizations it funds at [www.hhs.gov/fbcf](http://www.hhs.gov/fbcf).

In addition, for general questions about writing a grant proposal, many State governments and cities provide grant-writing workshops, as do a number of non-profit organizations and foundations.

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### **Is there any money specifically set aside for faith-based organizations?**

No. While there are small programs like the Compassion Capital Fund that are designed to help faith-based and community groups with the challenges they face, the Federal government does not set aside funds specifically for those groups. However, each year hundreds of millions of dollars go to religious charities and grassroots groups to provide vital Federal services for the poor. The government does not ask, "Does your organization believe in God?" It asks, "Does your program work? Does it meet the specific requirements of the grant? Is it turning people's lives around? Is it accountable for the money it receives?"

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### **What if I apply for a Federal grant, but my request is turned down?**

There is no guarantee you will receive a grant if you apply. However, if you do not receive a grant, you should try to find out why you did not receive funding and how you could improve a future application. You can follow up with the program officer identified in the announcement. This individual will either be able to provide you with information about your application, or point you to the right person to contact. In addition, you may even be able to obtain written comments on your proposal, which could be a good learning tool.

Remember that many, many organizations compete for Federal funds, and many groups apply several times before they receive an award. Getting feedback on your application can help you improve your chances of receiving funds the next time around.

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### **What happens if I am successful in applying for a grant?**

You will receive a grant award notification stating the duration of the award, the dollar amount, and a program contact. You may also receive a set of attachments that outline basic requirements that you must follow.

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### **What can my organization do to ensure we correctly follow the Federal and State regulations that apply to our grant?**

First and foremost, you should be sure that you use grant funds only for the intended purposes of the grant program. Simply being a diligent steward of Federal funds will go a long way in making sure your project remains in good standing with the awarding Federal or State agency. In addition, you should be sure to familiarize yourself with the guidance documents, regulations, and requirements specifically associated with the program under which you were awarded a grant.

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### **Which guidance documents and regulations apply to my grant project?**

**Program Regulations.** Program regulations typically will be identified in the Federal Register notice announcing the grant competition or in the larger grant application package. Each program has a set of regulations that govern how grants projects are to be implemented by grantees. Some programs may have very detailed guidance concerning allowable and unallowable costs, spending caps on specific budget categories, and staffing requirements. For example, a program might require a project director to work fulltime on the project. But other programs may have few program-specific regulations.

**Agency Guidance Documents.** Most Federal agencies have issued guidance documents that apply to both their discretionary and formula grant programs. These documents may not be very useful to you while you are researching funding opportunities or applying for a grant program. However, they are extremely helpful for grantees seeking daily administrative guidance. If you are awarded a grant, the awarding agency will either provide you with a hard copy of this document or with electronic access to the document.

**OMB Circulars.** The Office of Management and Budget issues documents that are called “circulars.” These circulars are essentially letters of instruction that allow the Federal government to address public questions or concerns that apply to all Federal agencies. Of greatest interest to grantees are the OMB circulars that apply to cost principles. These circulars provide guidance on specific allowable and unallowable expenditures for a grantee, based on the type of organizational entity it is. The circular that applies to all nonprofits, including faith-based and community organizations, is OMB Circular A-122. If, after reviewing the program regulations and the agency guidance documents, a grantee still has a question about whether a given expenditure is allowable, it should refer to OMB Circular A-122.

Although nonprofits should follow the rules in OMB Circular A-122, they may sometimes administer a grant in partnership with organizations that are not nonprofits. The rules that apply to other types of organizations are reflected in the following documents:

State and Local Governments and Federally Recognized Tribal Governments OMB Circular A-87, Colleges and Universities (also called “institutions of higher education” or “IHEs”) OMB Circular A-21, Hospitals 45 Code of Federal Regulations (CFR) 74, For-Profits 48 CFR 31.

You can access the most up to date version of the circulars by going to this web address:  
[www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars).

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### **What if I have trouble understanding the regulations? Is there a staff person that can assist me?**

Yes. Each grantee has a contact person in the awarding agency that is assigned to provide technical assistance. This contact person will help clarify regulations, explain procedures, and approve certain changes to the grant project upon request. In general, your program contact will work with you to make sure your project achieves its goals and objectives. If you have a discretionary grant, your point of contact will be at the awarding Federal agency. If you have a formula grant project, your point of contact will be at the awarding State or local agency. Remember – if you are ever in doubt about a course of action concerning your grant, communicate with your program contact immediately.

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### **What are some of the legal obligations that come along with a Federal grant?**

**Financial Reporting Requirements.** To make sure that grant funds are used properly, organizations that receive Federal funds must file regular financial status reports. These forms should not take long to fill out, but they are important. The basic financial report form is a one-page document called Standard Form 269. Many agencies have adapted this form to suit their own programs. You can find a copy of Standard Form 269 at [www.whitehouse.gov/omb/grants/grants\\_forms.html](http://www.whitehouse.gov/omb/grants/grants_forms.html).

**Cost-sharing/Matching.** These are two terms that often are used interchangeably with one another. Certain programs have a requirement that grant applicants pledge that they will contribute a certain level of financial support to the project once they are awarded grants and become grantees. The amount of financial support varies from program to program, and not all grant programs have cost-sharing or matching requirements. Whether cost-sharing or matching requirements apply to a particular program will be noted in the grant notice that announces a grant competition for that program.



Depending upon the particular program, a grantee's cost-share or match may be made in cash, in an in-kind contribution (such as facilities, equipment and supplies), or in staff time. For example, a program may require a 50% match from its grantees. That means that, if a grantee receives a \$100,000 award, it will have to bring to the project an additional \$50,000 in either cash or some type of in-kind contribution.

**Record-keeping.** Your organization will be required to maintain financial and programmatic records for your project for up to three years following the project's conclusion. For example, if you received a grant for a three-year project period that began on October 1, 2003 and ended on September 30, 2006, you would be required to maintain all of the records regarding that grant until September 30, 2009.

**Performance Reporting.** Typically, all grantees will be required to submit to the awarding agency both periodic (usually annually) and final performance reports that detail the project's accomplishments, as well as any shortcomings. The awarding agency provides instructions as to the format and the degree of detail that needs to be included in these reports. For grant projects funded for only one year, only a single report may be required. Along with performance reports, some programs require grantees to participate in national evaluation surveys. Such surveys provide information on the national need for and the impact of this particular grant program.

**Audit.** All faith-based and community groups that receive Federal funds are subject to basic audit requirements. These audits are intended only to examine the Federally-funded parts of an organization's operations and are not designed to identify unrelated problems. The audits are necessary to make sure that Federal dollars have been spent properly on legitimate costs. It is therefore extremely important for grant recipients to keep accurate records of all transactions conducted with Federal funds.

Most organizations are not audited by the government itself, although the Federal government has the right to audit any program that receives public money at any time. For example, organizations that spend less than \$500,000 a year in Federal funds are generally asked only to perform a "self-audit." For organizations that spend a total of \$500,000 or more in Federal funds (calculated based on awards from all Federal programs)—an audit by a private, independent outside legal or accounting firm is required. More information on audits may be found on the Office of Management and Budget's web site ([www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars)). The OMB Circular A-133 explains the Single Audit Act requirements for grantees receiving \$500,000 or more in Federal funds.

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## What are some of the common problems found by auditors?

Typically, the problems (or "audit exceptions") that auditors identify are a result of a grantee's poor record-keeping or of the grantee's failure to understand the types of activities or items that may be purchased using grant funds.

Although it is very important for the grantee to spend grant funds only on permissible grant expenses, it is equally important that the grantee document the way in which they have spent Federal funds. Poor documentation can result in an otherwise successful grantee being unable to demonstrate the effectiveness of its project.

### **A few tips for maintaining good records include:**

**Document the time and effort of staff working on the grant.** Clearly specify the amount of time (100%, 75%, 50%, and so on) that staff spends on the grant project and make sure that time commitment is reflected in their job descriptions. Staff should complete time and attendance forms on at least a monthly basis. If a person who works on the grant project is not paid with grant funds – either because that person is a volunteer or that person's time is a part of a match or in-kind contribution – that fact should also be documented. Sometimes time and attendance forms can be supported with additional documentation, such as project activity listings (e.g., tutoring sessions and group meetings).

**Maintain an up-to-date inventory that lists all office equipment, supplies, and furniture.** Each phone, computer, copier, fax machine, printer, desk, cabinet, and chair purchased by the project or provided by the grantee as in-kind contribution should be placed on such a list. Copies of purchase orders or bills of sale with specific per unit prices should be kept for each item. For common office supplies (such as paper, pens, staples and so on), auditors will not want you to account for each paperclip or staple. Rather, they will look to see if you have receipts for purchasing such items in bulk.

**Avoid the term “miscellaneous.”** Having a budget category such as “miscellaneous equipment” or “miscellaneous supplies” usually raises more questions than it answers. The larger the dollar amount associated with the line item “miscellaneous,” the more closely auditors are likely to scrutinize the budget category. If you must have a “miscellaneous” line item in your budget, be sure and provide specific examples of items that are grouped together in this category.

**Justify travel expenses.** Travel may be an allowable expense and may even be a mandatory activity under certain grant programs. But you must ensure that the travel is necessary for the project’s success, that grant funds are used to pay only for the travel of essential staff, and that expenses are accurately documented. Be sure and review the travel guidelines in the applicable OMB Circulars

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### **Is there an easy test to determine if I have an audit exception?**

A good way to determine if a grant expenditure might be an audit problem or “audit exception” is to ask this question:

#### **Is the item or activity in my budget allowable, allocable, and reasonable for my project?**

Allowable means that the type of expenditure is either specifically permitted or not specifically prohibited by regulation. Allocable means that the expenditure is chargeable to the grant and that it is necessary for the project’s success. Reasonable means that the item does not cost more than is necessary for the project’s success. It could be allowable and allocable for a grantee to purchase computers for project staff. However, it would not be reasonable to spend \$8,000 on a computer when a \$2,000 computer would perform all of the necessary tasks just as well.

Please note – the extent to which an item is allowable, allocable, and reasonable may vary depending on the program. Some grant programs may require that a grantee hire fulltime staff, whereas other programs may prohibit the use of grants funds for salaries. If you are unsure of requirements, you should communicate with your program contact immediately. The program contact’s job is to help you and your projects succeed.

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**After my grant project has ended, may my organization keep items we purchased with grant funds?**

This depends on the nature of the program and the type and cost of the items in question. In many cases, grantees are allowed to keep the items they purchase after the grant is over so that they may continue running the project without Federal funds and because it simply would not be cost effective for the government to remove the items from one grantee and give them to others. There are instances, however, when the government will take title to items, such as research equipment, from a former grantee and provide the items to a new grantee that will be completing the grant project. Grantees should check the specific terms and conditions of their grant and if they have any questions, they should check with the Federal program contact person.

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**What are indirect costs?**

Indirect costs, which are sometimes called “administrative costs” or “overhead,” are costs that are not easily assignable to a particular project or unit within an organization. They benefit the organization as a whole, but do not benefit any project in particular. For example, an organization may run several projects based in a large office space in a building. What percentage of the costs for the heat, the light, the water, and the facility fees should be allocated to each project? That figure can be difficult to determine, and for large organizations, it may not be cost effective to pin the number down with specificity.

The government recognizes indirect costs as a legitimate expenditure and has established a budget category for organizations to list their overhead costs. In order for an organization to request funds to cover their indirect costs, however, they would need to establish an “indirect cost rate” with a Federal agency. By establishing an indirect cost rate, the organization is able to pay a certain percentage of its indirect costs with Federal funds. Certain grant programs place a cap on the amount of indirect costs an organization may receive.

Although having an indirect cost rate is something that may benefit your organization long-term, especially if it will be administering multiple grant projects, it is not something that an organization must have in order to receive a Federal grant. If you are a small organization or you only have one grant project it should be fairly easy to calculate the direct costs that are associated with your projects. Applicants should remember that unless they have an established indirect cost rate agreement with a Federal agency, they are not eligible to request indirect costs for their grant proposals, unless the terms of the grant explicitly state that recovery is allowed.

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## PARTNERING WITH THE FEDERAL GOVERNMENT: SOME DO'S AND DON'TS FOR FAITH-BASED ORGANIZATIONS

**Dealing with the Federal government isn't always easy. In fact, if you are a small organization, all the governmental rules and regulations can be intimidating. If you are a faith-based organization, the rules can seem complicated because there are some special considerations that come into play when faith-based groups work with the Federal government.**

**T**he goal of the President's Faith-Based and Community Initiative is clear – to enable faith-based and community organizations to provide compassionate care for the poor by receiving Federal grants on the same basis as other groups. President Bush believes that it is wrong for these groups to be discriminated against when it comes to partnering with the Federal government. This section provides information helpful to faith-based groups on how an organization can maintain its faith identity while delivering Federal services.

If these rules sound complicated, remember that thousands of faith-based organizations, from small daycare centers to homeless shelters, have taken Federal money and delivered services without a hitch. They have been able to comply with these principles – without sacrificing their faith identity.

**Keep in mind that this section provides only a brief overview of some of the major legal issues that come up when faith-based groups receive Federal funds. The area of church-state relations is complicated. Specific programs may have some different requirements. You should not rely upon this document as an authoritative statement of the law. For more information, you may wish to consult with a lawyer or the agency that administers the program that interests you.**

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### What are the rules on funding religious activity with Federal money?

The United States Supreme Court has said that faith-based organizations may not use direct government support to support "inherently religious" activities. Don't be put off by the term "inherently religious" – it's simply a phrase that has been used by the courts in church-state cases. Basically, it means you can not use any part of a direct Federal grant to fund religious worship, instruction, or proselytization. Instead, organizations may use government money only to support the non-religious social services that they provide. Therefore, faith-based organizations that receive direct governmental funds should take steps to separate, in time or location, their inherently religious activities from the government-funded services that they offer. Such organizations should also carefully account for their use of all government money.

This does not mean your organization can't have religious activities. It simply means you can't use taxpayer dollars to fund them. Some faith-based organizations set up separate charitable organizations (so-called "501(c)(3) corporations") to keep programs that receive government money separate from those that engage in inherently religious activities.

**This rule of thumb is different if your organization receives Federal money that comes in the form of “vouchers” or other so-called “indirect aid.” In simple terms, an indirect aid program is one that gives funds or certificates to individuals in need, which can be used to obtain services from a number of qualified organizations. A good example of indirect aid is a child-care certificate that a parent can use for daycare at any participating child-care center. School vouchers are another example of indirect aid. Recently, the United States Supreme Court upheld a school voucher program in Cleveland where the vouchers were used for education at religious schools. However, the vast majority of programs affected by President Bush’s Faith-Based and Community Initiative involve direct aid to organizations (that is, money that goes directly to the organizations themselves), not vouchers or indirect aid.**

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**If I cannot take government money to support religious activity, how do I separate our religious activities from our Federally-funded social service program?**

A faith-based organization should take steps to ensure that its inherently religious activities, such as religious worship, instruction, or proselytization, are separate – in time or location – from the government-funded services that it offers. If, for example, your church receives Federal money to help unemployed people improve their job skills, you may conduct this program in a room in the church hall and still have a Bible study taking place in another room in the same hall (but no Federal money can be used to conduct the Bible study). Or a faith-based social service provider may conduct its programs in the same room that it uses to conduct religious activities, so long as its government-funded services and its religious activities are held at different times. If you have any questions or doubts, you should check with the official who administers your Federal funds.

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**Can people who receive Federally-funded services from us also participate in our religious activities?**

Yes, provided that a few rules are followed. It may be that some people have chosen to receive services from your organization because it is faith-based, and they will be eager to participate. But faith-based organizations that receive direct Federal aid may not require program participants to attend or take part in any religious activities. Although you may invite participants to join in your organization’s religious services or events, you should be careful to reassure them that they can receive government-funded help even if they do not participate in these activities, and their decision will have no bearing on the services they receive. In short, any participation by recipients of taxpayer-funded services in such religious activities must be completely voluntary. For example, a church that receives direct government aid to provide shelter to homeless individuals may not require those individuals to attend a Bible study or participate in a prayer preceding a meal as part of the government-funded services they provide. But they may invite those individuals to join them, so long as they make clear that their participation is optional.

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**What about religious activities that we have with our staff and volunteers in the presence of those whom we are helping?**

A faith-based group may gather volunteers and employees together to engage in religious activities, such as a prayer to renew their own religious mission and recommit themselves to helping those in need. An example might be a soup kitchen where volunteers say a prayer together before the meal is served. It is important for faith-based groups to make sure that a prayer in these circumstances is voluntary, and understood to be voluntary, for program participants.

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**If someone asks me about my faith, can I share it with them?**

If someone asks you about your personal faith while you are providing a government-funded service, you may answer briefly. But if you wish to have a longer discussion on matters of faith, you should set up a time to speak with that person later. In this way, you avoid using government funds for what might be taken to be an inherently religious activity, and the program is kept on track. But you also have an opportunity later to share your faith and explain why you do what you do.

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**Can we use Federal funds to purchase religious materials or materials that are faith-filled?**

No. Faith-based organizations may not use Federal funds to purchase religious materials – such as the Bible, Torah, Koran, Talmud, or other religious or scriptural materials. If you have questions about the appropriateness of your materials, you may want to consult an attorney or ask the government official who is administering your program for guidance.

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**We are a faith-based organization. Can Federal funds be used to pay the salary of a member of our staff?**

Yes, provided that this staff person is delivering the Federally-funded service and is not engaged in religious worship, instruction, or proselytization. The staff member may be a rabbi, priest, imam, or preacher, so long as he or she does not engage in these activities while being paid with public dollars. For example, a minister may teach an anger management seminar to ex-offenders as part of a Federal grant. But the minister must keep his or her teaching on the subject of anger management separate from his pastoral duties and preaching responsibilities.

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**What if we have someone on our staff who works for a government-sponsored program only part-time?**

It is fine for a faith-based organization to employ someone on their staff to perform religious duties while also having that person administer part of a Federally-funded program. There are, however, rules that must be followed. The part-time worker must not engage in inherently religious activities while working on the Federally-funded portion of his or her job. And that part-time worker must also document that he met his time commitment to the government-sponsored program by keeping careful time records of his activities. This will make sure that government funds are spent only on program activities.

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**Will the way in which our faith-based organization hires employees change if we receive Federal funding?**

In most circumstances, no. There is no general Federal law that prohibits faith-based organizations that receive Federal funds from hiring on a religious basis. Nor does the Civil Rights Act of 1964, which applies regardless of whether an organization receives Federal funds, prohibit faith-based organizations from hiring on a religious basis. This Act protects Americans from employment discrimination based on race, color, religion, sex, national origin, age, and disability. But the Civil Rights Act also recognizes the fundamental rights of faith-based organizations to hire employees who share their religious beliefs. The United States Supreme Court unanimously upheld this special protection for faith-based groups in 1987, and it has been the law since then. Thus, a Jewish organization can decide to hire only Jewish employees, a Catholic organization can decide to hire only Catholics, and so on, without running into problems with the Civil Rights Act.

This special provision for faith-based groups protects the religious liberty of communities of faith. It permits faith-based groups to promote common values, a sense of community and unity of purpose, and shared experiences through service – all of which contribute to a religious organization's effectiveness. In order for

a religious organization to define or carry out its mission, it is important that it be able to take religion into account in hiring staff. Just as a college or university can take the academic credentials of an applicant for a professorship into consideration in order to maintain high standards, or an environmental organization can consider the views of potential employees on conservation, so too should a faith-based organization be able to take into account an applicant's religious belief when making a hiring decision.

One final point. In general, a faith-based organization retains this exemption even if it receives Federal, State, or local financial assistance. However, certain Federal laws and regulations, as well as State and local laws, may place conditions on the receipt of government funds. For example, some employment laws may prohibit discrimination on the basis of religion. Or a State or local law may prohibit discrimination on the basis of sexual orientation or require certain organizations to provide benefits to employees' unmarried domestic partners. Some of these laws may exempt religious organizations, while others may not. Organizations with further questions about this issue may wish to consult a lawyer to find out about the specific requirements that apply to your organization and any rights you may have under the Constitution or Federal laws.

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**If our organization receives Federal funds, can it choose not to provide services to some people?**

No. If you take Federal money you may not discriminate against a person seeking help who is eligible for the service. For example, if you are a religious organization and receive public money to run an emergency food distribution program, you may not serve only persons of your faith and turn away others. In addition, and as discussed above, you may not require those you serve to profess a certain faith or participate in religious activities, in order to receive the service you provide for the Federal government.

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**What will happen if we violate any of these rules?**

If you violate the requirements specified in your grant or otherwise improperly use the funds you receive, you may be subject to legal action. Among other things, you may lose your grant funds, be required to repay the funds you received, and pay any damages that might be awarded through court action. If an organization uses its funds fraudulently, it could be subject to criminal prosecution.

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**Does our religious organization have to form a special nonprofit organization in order to receive Federal funding?**

In general, no. There is no general Federal requirement that an organization incorporate or operate as a nonprofit or obtain tax-exempt status under section 501(c)(3) of the Internal Revenue Code in order to receive Federal funds. However, some Federal, State, or local programs may impose such a requirement.

Although it will take some time and cost some money, a faith-based organization may wish to establish a separate nonprofit organization to use the government funds it receives. Taking this step can make it easier for a faith-based organization to keep track of the public funds that it receives and spends. It will also be easier for the government to monitor the group's use of grant funds without intruding on the group's internal affairs, in the event that an audit is conducted.

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## EQUAL TREATMENT FOR FAITH-BASED PROVIDERS

Faith-based organizations may be worried that receiving government money will mean they have to change their mission or the way that they run their organization. In December 2002, President Bush issued an Executive Order clarifying the rights and responsibilities of faith-based organizations who partner with the Federal government. Among other things, the Executive Order ends discrimination against faith-based organizations in Federally-funded social service programs, and also protects the unique religious identity and mission of faith-based organizations.

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### **Can we use facility space on our church property to provide a Federal service, and if we do, do we have to take down our religious symbols inside?**

Faith-based organizations may use space in their churches, synagogues, mosques, or other places of worship to provide Federally-funded services. In addition, there is no need to remove religious symbols from these rooms. For example, a faith-based organization may operate a Federally-funded daycare center in a church basement, or provide computer training in a classroom adjacent to a synagogue. You don't have to remove the Star of David or the cross in your building in order to deliver a Federally-funded service there. You may also keep your organization's name even if it includes religious words, and you may include religious references in your organization's mission statements.

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### **My organization has a religious name and its chartering documents contain religious references. Is it still eligible to receive Federal funding?**

Yes. A faith-based or religious organization does not need to change its identity – including its name or chartering documents – in order to qualify for a Federal grant. Nor does it need it to remove religious art, icons, scripture, or other religious symbols from its property or its publications – although all of these must have been purchased with private funds.

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### **My organization has a requirement that the members of its governing board be members of our faith. Is it still eligible to receive Federal funding?**

In general, yes. A faith-based or religious organization does not need to change the way it selects members for its governing board in order to qualify for a Federal grant. However, there may be some grant programs that depart from this general rule. For example, the law requires Community Action Agencies (organizations that are eligible to receive Community Service Block Grant funds) to have boards that are composed of elected public officials, low-income neighborhood residents, and representatives of other organizations. A faith-based group that is interested in organizing or participating in a Community Action must comply with this requirement.

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### **If our faith-based organization takes government money, will the government secularize our organization?**

No. Religious organizations can compete for government funding to provide public services without having to abandon their religious character. In fact, faith-based organizations have every right to hold, express and practice their deepest convictions, so long as any inherently religious and worship-centered activities are separate, voluntary, and privately funded.



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## CHARITABLE CHOICE: THE FACTS

**“Charitable Choice” is the general name for several laws that President Clinton signed into law during the period of 1996-2000. These laws were designed to give people in need choices among the charities offering them services. The Charitable Choice laws apply to four Federal programs: Temporary Assistance to Needy Families (TANF) and the Community Services Block Grant (CSBG) programs (both overseen by the Administration for Children and Families at the United States Department of Health and Human Services (HHS)); programs for substance abuse and mental health (overseen by the Substance Abuse and Mental Health Services Administration (SAMHSA) at HHS); and the Welfare-to-Work program (overseen by the Department of Labor).**

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### **What are the key points of the Charitable Choice laws?**

These laws clarify both the rights and the responsibilities of faith-based organizations that receive Federal funds. They specify that faith-based organizations cannot be excluded from the competition for Federal funds simply because they are religious. These laws also provide that faith-based organizations that receive Federal funds may continue to carry out their missions consistent with their beliefs. For example, they may maintain a religious environment in their facilities, and they may consider their religious beliefs in hiring and firing employees.

The Charitable Choice laws also impose certain restrictions on faith-based organizations. They spell out specific “do’s” and “don’ts” for faith-based groups receiving Federal money. The laws specify that religious organizations that receive Federal funds must serve all eligible participants, regardless of those persons’ religious beliefs. They also prohibit religious organizations from using Federal funds to support any inherently religious activities (such as worship, religious instruction, or proselytization).

In addition, recipients of services provided under the SAMHSA and TANF Charitable Choice laws have a right to be provided with services from an alternative provider to whom they have no religious objection. President Bush believes that recipients of Federal services should be offered a choice of providers. That is why it is preferable to have a range of providers, both secular and faith-based.

In addition to these requirements, the Community Service Block Grant and SAMHSA versions of the Charitable Choice laws also require religious organizations to maintain separate accounts for the Federal funds they receive.

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### **Do the Charitable Choice laws mean that faith-based organizations can apply for funds only from these four Federal programs?**

No. The Charitable Choice laws merely set out clear guidelines for government funding of faith-based organizations in these four programs. However, as we have outlined earlier, all Federal programs that permit nonprofit organizations to apply for funds are also open to faith-based organizations. President Bush’s Faith-Based and Community Initiative is designed to make sure that the playing field is level for all groups that apply for funding from any Federal program.

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### **Do the Charitable Choice laws mean that faith-based organizations get “special treatment”?**

No. These laws do not set aside funds for faith-based organizations. Faith-based organizations that receive Federal funding are held to the same standards as all other providers of services. For example, they must comply with the accounting requirements that apply to other organizations, and they must demonstrate that their organization serves the purposes of the program. These laws simply recognize that faith-based organizations have a role to play in the provision of Federally-funded social services, and they clarify how these programs should be operated.

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## White House Office of Faith-Based and Community Initiatives

As one of the first acts of his Presidency, President Bush established the White House Office of Faith-Based and Community Initiatives. He also created Centers for the Initiative in ten Federal agencies: the Departments of Justice, Agriculture, Labor, Health and Human Services (HHS), Housing and Urban Development (HUD), Education, Commerce, and Veterans Affairs, the Agency for International Development and the Small Business Administration.

The White House Office and the Agency Centers were tasked with leading a "determined attack on need" by strengthening and expanding the role of faith-based and community groups in addressing the nation's social problems. The President envisions a "faith-friendly" public square where grassroots organizations can compete equally with other groups to provide government-funded services.

The White House Office and the Agency Centers assist organizations in identifying Federal resources, educate social service providers about writing and managing government grants, and connect faith-based and community groups to each other.

If you want additional information or have further questions, please call the White House Office of Faith-Based and Community Initiatives at (202) 456-6708 or visit our web site at [www.fbci.gov](http://www.fbci.gov).

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### White House Office of Faith-Based and Community Initiatives

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*“I believe in the power of faith in people's lives. Our government should not fear programs that exist because a church or a synagogue or a mosque has decided to start one. We should not discriminate against programs based upon faith in America. We should enable them to access Federal money, because faith-based programs can change people's lives, and America will be better off for it.”*

*President George W. Bush*

