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The Salvation Army and Government Funding - Blessing or Bane?

Noreen Scott
University of San Francisco

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A Case Study:

The Salvation Army and Government Funding—Blessing or Bane?

A THESIS SUBMITTED

**By
Noreen Scott**

In Partial Fulfillment of the Requirements

For the Degree of

Master of

Nonprofit Administration

The University of San Francisco

December 13, 2002

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A Case Study:

The Salvation Army and Government Funding—Blessing or Bane?

This Thesis Written By

Noreen Scott

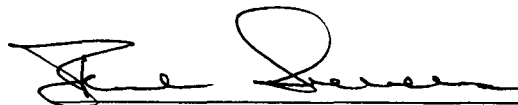
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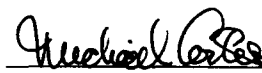
at the

University of San Francisco

Research Committee


Dr. Bruce Sievers Chairperson


Pat Eberling Second Reader

 13 January 2003
Dr. Michael Cortes Program Director Date

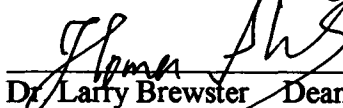
 2/18/03
Dr. Larry Brewster Dean Date

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ABSTRACT

This study was conducted to explore the issues surrounding government funding of faith-based nonprofit organizations. The main question addressed was what, if any, are the positives and negatives for a religious nonprofit faith-based organization accepting government funding. This study examined the Salvation Army, a faith-based 501(c)(3) charitable organization with a long history of accepting government funding for its social service programs. Seven Salvation Army administrators were interviewed to determine whether government funding for this organization's social services had any impact on the organization in four specific areas:

1. Finances
2. Staffing
3. Administrative reporting
4. Mission

Three noteworthy issues were illuminated by this study. First, the majority of respondents reported an overall positive response to their interactions with government grant makers despite the problems they identified that related to finances and staffing. Second, the greatest impact was in the area of administrative reporting, especially as it related to staff time. Third, and most surprising was the unexpected finding that administrators were exercising significant control over the grant process. Because this study was limited in size and scope, it is highly recommended that further research be done that would enlarge the body of information.

Vita Auctoris

| | |
|---------------------------|--|
| Name: | Noreen G. Scott |
| Date of Birth: | February 24, 1941 |
| High School: | Glendale High School Glendale, California |
| Graduated: | No |
| Associate of Arts Degree: | Long Beach City College Long Beach, California |
| Graduated: | 1981 |
| Baccalaureate Degree: | Bachelor of Public Administration |
| College: | University of San Francisco San Francisco, California |
| Graduated: | 1999 |

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CHAPTER ONE: INTRODUCTION

Background of the Issue

Recent changes in how faith-based nonprofit organizations can access government funding for social service programs is an issue of great interest to those organizations already receiving government funding and those interested in accessing such funding. Many scholars, including Carlson and Thies, who state that originally the majority of social services in the United States were provided by religious denominations, have documented the history of religious organizations providing such services in the United States (Carlson-Thies, 2001). The authors of a Conference Report prepared by the University of Southern California (1998) observe that the provision of social services by faith-based communities in the U.S. goes back as far as the anti-slavery abolitionist movement. Long supports this contention by describing how religious congregations and denominations provided all social services in the early United States (Long, 1998). From colonial times to the present, there have been numerous examples of government funds flowing to private agencies to meet public needs in education, health care, social welfare, and arts and culture. Private welfare agencies at the end of the nineteenth century received well over half of their operating revenue from government. Religiously affiliated nonprofits that provide services are the oldest, largest, and most generously supported of the nonprofits in this country (O'Neill, 1989).

The United States has a strongly rooted religious culture and there is a long-standing connection between religions and helping the needy. The connection between religious organizations and the provision of social services in the United States was

evident as far back as the 1830s, when French aristocrat, Alexis de Tocqueville visited the United States. In Democracy in America, de Tocqueville contrasted America's democratic voluntary groups, formed for public and mutual benefit, with the situations in England, where the aristocracy were the patrons of such endeavors, and France, where the government would be petitioned to do whatever jobs were necessary. He was struck by the difference between the United States and Europe in the provision of social services, especially as it related to religious groups' involvement, for he commented that the first thing that impressed him was the religious atmosphere of the country (de Tocqueville, 1835).

Federal and state governments have provided social services through nonprofit and religious organizations since the inception of government social welfare programs (Kennedy, 2002). In fact, according to Adler (1988), since the 1960s, cooperation of government and nonprofit organizations has been the backbone of the social service delivery system in the United States. For example, in the last quarter of the nineteenth century, Catholics had developed a large network of programs and facilities to take care of their needy. Many of these programs and facilities operated with the partial assistance of government funding (Carlson-Thies, 2001).

But although government collaboration with religious organizations and their affiliates has been a feature of the social service arena for decades, these collaborations have been complicated by America's distrust of government involvement in religion. That attitude is reflected in the First Amendment to the U.S. Constitution that addresses the highly sensitive issue of the relationship between religion and the state. In effect, the First Amendment is aimed at keeping religion and government separated. This has caused the

provision of social services, particularly by faith-based organizations in the United States, to take a very interesting path. While a full elaboration of the church-state issue exceeds its scope, this study will look at the practical impact of government funding on faith-based nonprofit organizations.

In addition, several factors now come into play in the contemporary faith-based provision of social services. Among them are “Charitable Choice,” the provision designed to permit religious organizations to collaborate with public welfare on the same basis as any other nongovernmental provider but without impairing their religious character and without diminishing the religious freedom of beneficiaries, increased competition due to growth in the nonprofit sector, major changes in traditional funding sources, and the initiative championed by President George W. Bush, now called “the CARE Initiative.” These four issues, plus the First Amendment, are all impacting on how nonprofit organizations support their social service programs and will be specifically mentioned briefly as they relate to the main issue of government funding of faith-based nonprofit organizations.

Despite the long history of social action by faith-based communities and the fact that the government is currently a major player in supporting the social services provided by faith-based nonprofit organizations, not much study has been done to identify the factors involved in how government dollars may affect the nonprofit organizations receiving these dollars. This lack of research is part of a larger information gap in the study of the nonprofit sector. According to Michael O’Neill, “It was not until the last twenty years that the [nonprofit] sector began to be discussed seriously by scholars and policymakers...and serious theorizing about the dynamics of the sector has only just

begun” (O’Neill, 1989 p. xii). O’Neill goes on to say that despite Alexis de Tocqueville’s observation 150 years ago that few things about America are so intriguing as its intellectual and moral associations, only recently have a few theorists become sufficiently intrigued to attempt a serious explanation of them.

In observing one faith-based nonprofit organization, this study seeks to illuminate an important relationship in the nonprofit sector by identifying what impact the decision to accept or not to accept government funding has on the organization.

Organizational Background: the Salvation Army

One religious non-profit organization that has received considerable government funding is the Salvation Army. Charles L. Glenn in The Ambiguous Embrace, comments that the Salvation Army, a nonprofit, religious organization, operates one of the largest publicly funded social service programs in the nation.

This particular organization is a good test case because of its long history of utilizing government funds for its social service programs. The Salvation Army has been involved in social work since its inception in England in 1865. The founder of the organization believed that people were in need of both practical assistance and spiritual regeneration. His premise was to feed the body first and then the spirit of a person. The standard for this premise, which later came to be identified within the organization as social work, is detailed in William Booth’s book titled In Darkest England and the Way Out, published in 1890. It is through its extensive system of social assistance programs that the Salvation Army puts its beliefs and basic principles into practice.

The Salvation Army was incorporated in the United States as a nonprofit in 1899 under a special act of the New York Legislature, and 501(c) (3) status was granted in

1954. In the United States the organization is separated geographically into four sections know as Territories. In the Western United States, the Army was certified as a California Corporation on October 17, 1914. California is divided in four geographic sections called Divisions.

The administrative design within the Salvation Army is authority-based, with clear hierarchical lines of communication. It is very similar to the military with ranks, commands and appointments. In the United States, an extensive Policy and Procedures Manual that is designed to cover every conceivable situation governs the actions of the commander of the local unit. In addition, there is a very detailed manual for financial accountability. Recently the bookkeeping and accounting functions have been centralized and the local commander now has limited control over these functions. The local commander still maintains total responsibility for acquiring the financial support for his/her command.

Apart from public funding, many of the funds that run the various social service programs are from individual, private donors solicited through mail appeals. Each program fund is accounted for separately and there is no intermingling of funds. Church and social service dollars are never merged, and an annual audit is performed to make sure that all record keeping policies are being complied with at the local unit.

The social assistance programs administered by the Salvation Army are quite numerous and vary from ordinary soup kitchens to fully staffed hospitals. Many of these programs have been started with, and continue to be supported (at least in part) by, government funding. There is nothing new about the Salvation Army's relationship with government support for its social services. In California, the earliest record of a

partnership between the Salvation Army and government was during the 1906 San Francisco earthquake and fire. Because of the excellence of the Salvation Army's efforts in feeding and housing thousands, the government solicited a partnership and provided funding to assist the Army with its ongoing services to the stricken area.

Government support of portions of the Salvation Army's social service ministry has occurred in spurts. The thirties saw government participate in the funding of Salvation Army Homes and Hospitals for pregnant teens. These programs had begun before the turn of the century but with government funding they were able to provide expanded and improved services. The depression was also a time of tremendous social service outreach for the Salvation Army with its soup lines and Harbor Light flop houses, for jobless and homeless people. During the forties, services to men in uniform, primarily through the U.S.O. (United Service Organization), was the main thrust of the partnership between the Salvation Army and government.

The relationship between the Salvation Army and government expanded dramatically during the Great Society days of the sixties. Unlike some conservative churches, the Salvation Army actively sought and won government contracts, both federal and local, to run its thousands of drug treatment centers and homeless shelters. The Army partnered with government to provide Red Shield youth centers and drug abuse prevention programs for youth. Childcare programs (latchkey and preschool centers) were also developed with government help. The seventies saw a partnership in the development of senior housing that led to the first Silvercrest residence. Since that time there have been 30 such facilities built in partnership with government. In the eighties and nineties the Army entered into a time of increased government funding for

such services as homes for battered women, a residence for families with AIDS, professionalization of additional substance abuse centers, expansions of homeless shelters, and a wide array of other services.

The total government dollars in support of Army programs in the West approaches \$60 million and is approximately 15% of the Army's investment in social services in the Territory (New Frontier, 2001).

In the four USA Territories, the Salvation Army has government contracts annually totaling hundreds of millions of dollars (over \$202 million in 1997) (Nauta, 1998). These contracts allow the organization to provide a wide array of community services, including alcohol and drug rehabilitation centers, shelters for the homeless and for AIDS victims, residential housing for seniors and persons in transition, nutrition programs, transportation services, U.S.D.A. commodities distribution, older adult services, child care, supplemental food programs, utility assistance, emergency/disaster response assistance and case management services – to name just some of the programs provided.

Statement of the Issue

In the United States more than one million groups are recognized by the IRS as nonprofit organizations, including social welfare and religious organizations. Despite the long history and considerable size of the non-profit sector, and the fact that religious nonprofit organizations have been and continue to be a significant part of the social service system, there has been little empirical research in the area of faith-based nonprofits receiving government funding for social service programs. According to the Urban Institute, although the sector is large, information regarding it is very limited,

primarily because most religious organizations and small nonprofits are not required to file with the IRS. This, along with First Amendment issues, means that even the IRS data do not completely reflect the enormous scope of the nonprofit sector.

Recent research has identified a trend toward reliance by nonprofits on government contracts in order to continue providing services. This general trend seems to be impacting the religious sector, for, according to Long, the trend towards religious institutions seeking collaboration with government agencies and foundations is one that is growing consistently, primarily owing to increased competition for funds and donor choice. This, along with changes that have occurred in major funding institutions, such as United Way, an agency established to solicit funding for nonprofit organizations, has had a great effect on where and how nonprofit organizations support their social service programs (Long, 1998).

Together with this increased reliance on government funding come warnings from the religious community that, by accepting public funding, faith-based organizations may experience unanticipated pressures such as finding they are forced to deny services to those outside of narrow categories determined by the government, or that limitations may be placed on faith-based organizations which accept public funds, particularly in the area of advocacy, which is often related to an organization's mission. According to Peters's study on Government Contracting and Unionization, "Some are concerned that social service nonprofits are changing their missions and goals to fit government standards and to maintain their eligibility for government dollars" (2002, p. 1). This trend may have an especially problematic effect on religious nonprofits.

The questions that arise from these indications are basic, but to the knowledge of this researcher, they have not yet been addressed extensively. A 1998 conference held at the Center for Religion and Civic Culture, University of Southern California (Current Issues; Creative Solutions) did pose key questions about the implications of government funding such as: “Are faith-based efforts really different from secular work? What are the risks to taking government money? Will faith communities lose their prophetic voice and become just another service provider? What are the organizational pressures created by a social ministry?” Unfortunately, the conference could not reach any definitive answers on those questions.

This study explores the issues related to a faith-based nonprofit receiving government funding, at any level, city, state, or federal, to see what effect, if any, it has in the following four key areas, which are interrelated: finances, staffing, administrative reporting, and mission. In particular, the study looks into the possibility that although the organization's mission may not be directly impacted or shaped by government funding, its policy may be affected in subtle ways. The study seeks to ascertain whether changes in the direction of service are being determined by government funding as suggested by Castelli and McCarthy in their paper on “Religion-Sponsored Social Service Providers: The Not-So-Independent Sector”. They concluded that, when faith-based organizations begin accepting large amounts of government funding, they could be required to wholly change their funding priorities (Snapshots, 1999). The possibility that these changes may affect the mission over time was also explored.

Since government funding of nonprofit social service organizations has grown considerably in recent decades to become their most significant source of financial

support (O'Neill, 1989; Lipsky & Smith, 1989-90), it seems likely that no matter what challenges may be presented by such collaboration, nonprofit social service organizations will continue contracting with the government (Peters, 2000). Charitable Choice, which became law as part of the 1996 welfare reform legislation and the CARE Initiative that is currently pending Congressional action are only part of this phenomenon of increased government support to nonprofits.

Given this trend, it would be beneficial to have a more in-depth understanding of the strengths and weaknesses of the collaboration, especially from the view of the nonprofit. In order to accomplish that goal, this study examined one organization where these issues were playing out in a clear way. The study aimed to provide a profile of how these key polarities were affecting one religiously based organization. By interviewing administrators and staff at selected units of the Salvation Army, focusing on the possible impact on finance, staffing, administrative reporting, and mission from the perspective of the administrator, this study took a hard look to see how policies and economic forces were affecting this organization.

Definitions of Major Concepts

This study employs the Urban Institute's definition of "faith-based" to describe an organization based or founded on a religious tradition.

Religious organization: a formal group, congregation or body of believers who have a set of beliefs.

Religiously based nonprofit: a formally recognized nonprofit with ties to a religious organization as defined above.

Government funding: dollars received by a nonprofit from government sources at any level: federal, state, local.

Public funding: public funds administered by government.

Public donations: money received from a wide spectrum of private donors.

Support service: the percentage deducted from every donation or grant received by all Salvation Army units and sent to the headquarters office for administrative services provided by the headquarters.

Staff or staffing: paid administrators and employees, not volunteers.

Mission statement: explicit statement that identifies the mission and/or goals of the organization.

Organizational goals: specific measurable goals that represent the direction the organization has determined for the future.

Sectarian: a religious based agency or organization.

Silvercrest: senior housing

Research Questions

This study is based upon specific research questions that have arisen from the recent changes in how a faith-based nonprofit organization can access government funding and the effects, if any, of such funding on the organization.

It was designed to answer these questions by utilizing in-depth interviews with administrators/staff at selected Salvation Army units. I did not presuppose any hypotheses regarding the results, but sought to answer the question: Does the acceptance of government funding significantly impact the organization?

Importance of the Study

O'Neill (1989) terms the relationship between government and social service nonprofits a "classic policy issue." Given the previously identified trends of increased competition, declining funds, changes in traditional funding sources, and increased reliance by nonprofits on government dollars to fund social services, it is critical to identify the possible strengths and weaknesses that impact nonprofits when considering or accepting government funding. This issue takes on even greater significance when religious nonprofits are involved in the acceptance of government dollars. Knowledge is power, and it is hoped that, armed with the information this study will provide, future nonprofit administrators will be better equipped to make critically based, informed decisions about whether to partner with government by accepting funding.

Long-term trends indicate that there have been increases on both the resource and the demand sides, primarily due to a growing economy and the increase in new nonprofits (Urban Institute, 1997). This may make the issue of whether or not to accept government funding much more critical. If the CARE Initiative becomes law, it could greatly increase participation by religious groups in competing for government grants. It is therefore imperative that we identify both the possible barriers and challenges associated with collaborations between faith-based organizations and the government as well as the strengths of such partnerships. This study seeks to add to the relatively small pool of research on faith-based nonprofit collaborations with government and provide a tool for evaluation and comparison by administrators considering government funding for social services.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

This review of literature begins with an overview of the relationships between government and nonprofit organizations in order to lay the basis for the study of government funding and faith-based nonprofits. In an attempt to identify the collaborative efforts that have existed between government and faith-based organizations, an effort was made to trace the historical background of such collaborations. Unfortunately, literature that addresses the relationship between government funding and faith-based nonprofit organizations is somewhat fragmented and very scarce. The majority of the literature that was available to this researcher deals in general with nonprofit organizations functioning as social service contractors with government funding, rather than as faith-based nonprofits requesting funding for existing or proposed social programs. However, some of the literature touches briefly on the issues this study is attempting to observe. Factors such as changes in mission, impact on staffing, and changes organizations might have to make in order to be eligible for government funding are explored in a few recently published documents.

A broad historical overview of the three-way triangle of nonprofits, faith-based social service providers, and government funding follows, with emphasis on the issue studied as it relates to a number of factors: for example, the First Amendment; the CARE Initiative; the “Charitable Choice” provision of the Personal Responsibility and Work Opportunity Reconciliation Act, part of the 1996 welfare reform legislation; also as it relates to certain recent trends, such as the increase in the number of nonprofits, and therefore in the competition for funds; and to variations in government support for nonprofits, and nonprofits reliance on such support.

Over the years, government funding of nonprofits has taken many turns. As previously documented in this paper, early in the nineteenth century most of the social services were provided outside of government and primarily through religiously based organizations. According to Adler (1988), "despite the myth of separateness [between government and nonprofit organizations], by the late nineteenth century, government subsidies were the predominant method of funding voluntary social welfare agencies." Kramer (1981, p. 65) clearly stated that: "Until the 1930's, voluntarism was the American substitute for genuine social policy." However, as O'Neill points out, in *The Third America*, (1989, p. 104), "The Great Depression of the 1930s permanently changed the alignment between public and private social service providers... State and local governments increased their efforts," and government began a gradual expansion in providing support to the already established nonprofit organizations.

Even though government supported nonprofit organizations in order to provide social services, the nonprofits retained a fair amount of autonomy; as characterized by Adler (1988 p. 9.1) "the relationship between government and nonprofits, until as late as the 1930's, as one of cooperative autonomy." Although government heavily subsidized many nonprofits, it did not exercise much influence on policy or organization of recipients (Hagen, 1991 p.32).

However, as previously described, that changed with the depression of the 1930s. Adler (1988) described the relationship that developed between government and nonprofits during that period as "cooperative federalism," primarily because government assumed a larger responsibility for social welfare, both through federal payment to public relief agencies and through subsidies to private agencies. Following World War II the

government became very active in providing funding, primarily through such programs as the Educational Act for Veterans but also to hospitals. A 1969 study, by Bernard J. Coughlin, reports that as far back as 1965, 70% of sectarian agencies in 21 states were involved in some type of purchase-for-service contract with the government (Coughlin, 1969). In 1975, the prestigious Filer Commission described government as the major philanthropist in the United States, providing a larger share of nonprofits' revenues than individuals, corporations, and foundations combined (Hagen 1991).

After a long period of increase in government support, in the early 1980s there was a decline of approximately 27%, and the agencies most oriented to serving the poor and providing social services were least able to make up the lost income (Salamon, 1984). To complicate matters further, the greatest number of charitable nonprofits was added during the period between 1989 and 1994. According to the State Nonprofit Almanac 1997: Profiles of Charitable Organizations, the period between 1989 and 1992 was one of most rapid growth for nonprofits, with an average annual growth rate of 7.3 percent.

Despite this decline in government support for the nonprofit sector in general, in 1994 the amount of government funds supporting religiously affiliated groups such as Catholic Charities USA and the Jewish Board of Family and Children's Services was over one-half of those organizations' budgets. In year 1997 Lutheran Services in America received more than one third of its annual \$7 billion budget from government funding. (Hacala, 2001)

The current size of government involvement with faith-based groups is exemplified by the nearly \$1 billion in H.U.D. (U. S. Department of Housing and Urban

Development). In fiscal year 2000, assistance administered by faith-based and community organizations was estimated at nearly \$1 billion. In fiscal year 1998, \$114 million was granted to faith-based organizations to provide homeless services (Hacala, 2001). Government contracts and grants to nonprofit organizations rose from 28% to 31% in the ten-year period, 1987 - 1997, whereas at the same time revenue fell from all other sources fell (Urban Institute, 2002). According to a University of Southern California, conference report, U.S News and World Report, noted that in 1998, 37% of the resources that faith-based organizations used to provide social services came from public funding.

Church/State Issues (First Amendment Conflict)

There is a great body of literature dealing with the church and state issue and the U.S. Constitution's provision for the separation of church and state in the First Amendment. But even more important to this study, the California State Constitution builds upon the federal law in Section 4, Article I, guaranteeing the free exercise and enjoyment of religion without discrimination or preference. Section 5 of Article XVI of the California Constitution states that neither the Legislature nor any political subdivision of the state may "make an appropriation, or pay from any public fund whatever, or grant anything to or in aid of any religious sect, church, creed, or sectarian purpose, or help to support or sustain any [sectarian] school, college, [or] university" (Welfare Reform & California's Faith-Based Communities, 1998). On the other hand, under the 1997 CalWORK's program, the state is prohibited from discriminating against religious, charitable, or private organizations in contracting for services, as long as it does not violate the establishment clause of the United States Constitution. This complex legal

relationship between government and religious institutions sets the stage for the issues discussed in this paper.

Charitable Choice

Into this picture comes the provision of Charitable Choice, part of the 1996 welfare reform law. Prior to this provision, the U.S. Supreme Court had ruled that the U.S. Constitution's church-state requirements meant strict separation. In other words, the government would support no religion and nothing government supported could be religious. However, there was glaring inconsistency in this policy, because at the same time that the Court announced that not a single dollar could go to religion, it authorized the state of New Jersey to pay to transport students to parochial schools (*Everson v. Board of Education*, 1947). The impact of this decision was that government's own welfare programs, as well as the services government procured from outside providers, had to be free of religion. In one Supreme Court decision it was held that "pervasively sectarian" organizations—thoroughly religious agencies—could not be government-funded providers because they would be unable to keep religion out of the services they would offer. The impact these decisions had on the provision of welfare services was dramatic because in effect "the rule of the government welfare system was this: no religion in government welfare and no religion in the services government buys from private providers" (Carlson-Thies, 2001, p. 114). Because it was primarily religiously based organizations that had been the nation's safety net, some faith-based social service providers, such as the Salvation Army and the Catholic Church, were under great pressure to set aside their religious components (Carlson-Thies, 2001).

Under the 1996 federal welfare reform law, Charitable Choice was a section that specifically required state and local governments to allow faith-based organizations to compete, on a level playing field, with non-religious organizations in procuring government funds for welfare programs. These new rules were supposed to allow religious organizations to accept government funds with no pressure to downplay their religious character. The hope was that religion-based charities would be enabled to accept government funding with fewer restrictions, but whether that has actually occurred is unclear. The Clinton administration limited the provision's impact by insisting that government funds granted to religious organizations be used only for the provision of social services and not diverted to church-related activities such as worship, sectarian instruction or proselytism (Carlson-Thies, 2001).

The issue of charitable choice is important as it relates to how religious nonprofit organizations can access government dollars. The charitable choice legislation states that governments that contract with independent-sector social service providers cannot legally exclude faith-based organizations from consideration simply because these organizations are religious in nature. In other words, the legislation is designed to give religious congregations the same opportunities that secular nonprofit agencies enjoy in competing for government contracts. In addition, this legislation ensures that state governments cannot censor religious expression—that is, religious symbols or practices—simply because those who employ them are recipients of government funding for social service programs.

Bush Faith-based Initiative (CARE Initiative)

President George W. Bush's initiative is important to the background of this study because of its possible impact on future government funding for faith-based organizations. The Bush-sponsored initiative is intended to make it easier for religious charities to deliver social services by putting them on an equal footing with secular organizations in applying for government grants (Milbank, 2001). Therefore, this initiative, if passed, may have a great impact on the amount of government funding granted to religiously based charitable organizations.

However, in a Brookings Forum held August 16, 2001, Stanley Carlson-Thies pointed out several issues related to bureaucratic barriers that may make private groups hesitant to work with government. He states that there is "a pervasive suspicion about faith-based organizations within the federal grant process," and goes on to say that occasionally faith-based organizations are excluded from government funding, that some faith-based groups are considered too religious to be safely funded and that in some cases, excessive restrictions are placed on the religious activities of the organization, resulting in their not being considered for funding. In anticipation of these problems, the president signed an Executive Order in January of 2001 that included the preparation of the survey titled "Unlevel Playing Field," that was the center of the Brookings Forum discussion. The survey identified various barriers that discourage, and place faith-based organizations at a disadvantage, in applying for government grants. It cited the Department of Housing and Urban Development for needlessly prohibiting religious groups from applying for money to run homes for the elderly and for preventing groups that officials considered "too religious" from applying for money to rehabilitate run-

down houses (Becker, 2001). Should the CARE Initiative be passed by Congress, it could, paradoxically, worsen the relationship between government and faith-based nonprofits because it would bring the two entities closer together possibly resulting in more difficulties in collaborations between the government and faith-based organizations.

Kenneth Caution comprehensively describes possible dangers that may come with government funding:

The issue of government support for faith-based human services is full of complications, dangers, ambiguities, and subtleties. The beauty of religiously oriented social ministries is the potential for dealing with people as whole selves, e.g., giving them food for the soul as well as for the body. But this very unity poses the problems of how it is Constitutionally licit for the government to enable the providing of secular bread without funding sectarian religion. If, on the other hand, the delivery of goods and services to the needy is totally divorced from the religious dimension, in what meaningful sense is it any longer faith-based, apart from merely being sponsored by a religious group? Why shouldn't the government fund a church soup kitchen if all that is dispensed is soup? Because, we say, what the church would spend on soup can now be spent on the church bus. But maybe they would just serve more soup. Maybe the soup itself is a witness to the faith behind it, but if it is, is that not a sponsorship of religion? Would the government discriminate against some religious groups? Would giving government money to churches tend to dull the prophetic urge to be critical of the state? Would the

government require conformity to certain rules that would restrict church autonomy? What is a religious group? What does faith-based mean? (2001, p. 5)

Perhaps the most important distinction that sets CARE's approach to funding faith-based organizations apart from the past practice, is that for the first time it would allow pervasively religious groups, such as churches, mosques, and synagogues, that are not 501(c)(3)s to receive government funds directly rather than through a nonprofit organization affiliated with the congregation. What impact this may have on mainstream religious organizations such as the Salvation Army and Catholic and Lutheran Charities is unclear.

In his proposal to expand Charitable Choice under the CARE Initiative President Bush said, "Government will never fund religion, but government should not fear funding programs that can change people's lives. Fragmented or ineffective collaborations could threaten the lives and well-being of thousands of people."

In The Third America: The Emergence of the Nonprofit Sector in the United States (1989, p. 18) O'Neill points out that

The Urban Institute's Nonprofit Sector Project has demonstrated the extent of government-nonprofit relationship in health care, human services, and education. Federal, state, and local tax dollars flow through a variety of mechanisms to private nonprofit organizations. When government takes some responsibility for a social need, it does not necessarily launch programs to meet that need; more often than not, it gives money to private agencies to take care of the problem. This arrangement is simple, efficient, and politically astute. Needy people get help.

Government increases its role and influence, gets part of the credit when things go right, and can quickly disassociate itself from programs when things go wrong.

This distinction between providing funds and providing services has in fact characterized American governmental response to social needs since the beginning of the century.

As O'Neill points out, government funding of nonprofit social service organizations has been an accepted and increasingly large part of their total budget. Recently, accepting government funding appears to come with more restrictions than in the past. If this is true, then understanding how, or whether, government funding impacts the organizations relying on this funding is critical to the future of the arrangement. This paper will attempt to examine what impact, if any, government funding has on nonprofit organizations in order to understand what, if any, constraints or burdens this imposes on the organization.

In "Government Contracting and The Unionization of San Francisco's Social Service Nonprofits," Peters points out that when an organization accepts government funding, a "host of associated benefits and risks for nonprofit agencies and the sector as a whole" ... have been identified. Primary among these benefits and risks is the concern that government funding may cause some social service organizations to feel pressured to make changes in their missions and goals in order to comply with the requirements of government funding (Peters, 2001, p. 1).

Although the flow of government funds into nonprofits provides them with many benefits, including enlargement of their scope of service, greater security of income, increased visibility and prestige, and access to governmental decision making, the price of funds is control (Hagen). When they accept government funds, nonprofits sacrifice

some of their independence to government regulations. A study of San Francisco Bay Area agencies in the early 1980s found that 42% believed that nonprofits had grown too dependent on government funding and should diversify their funding base (Harder, Kimmich & Salamon, 1985). On the other hand, the same study found that fewer than 20% of the nonprofits studied believed that government funding had distorted their mission or objectives.

Kramer finds that, "Although government may not exert great energy to control the entire nonprofit sector, it may be pressured to act in controversial areas" (Ralph M. Kramer, 1985, p. 337). Employee health benefits is one such highly charged issue, and activists have successfully pressured the government into withholding funds from organizations which refuse to comply with the policy to provide health benefits for domestic partners in order to receive funding. This particular case stands out as a value confrontation between government and faith-based organizations, with government trying to exert control in a highly controversial area by insisting that organizations extend benefits to all adult members of an employee's household.

Conclusion

The acceptance of public funds requires the acceptance of accountability and those who receive funding must adhere to government standards and regulations. There seems to be much more information on the negative side of the issue than the positive, although Hagen (1991) does touch on the fact that there are some benefits to accepting government funding. This is a fertile area for research in the future.

Although the literature on collaborations between faith-based nonprofits and government is limited, it suggests several themes to be examined in this study. Based on

the materials noted, I would expect to find that there is a significant impact on the organization studied in the areas of administrative reporting and finance.

CHAPTER THREE: METHODOLOGY

Subjects and Respondents

In examining the impact of government funding on faith-based nonprofits, I conducted in-depth interviews with administrators who have served within the Salvation Army, a faith-based, international, religious organization that is well known for its charitable endeavors. In order to develop an understanding of the complex nature of the relationships involved in receiving government funding and the factors impacting on the organization, I used a qualitative methodology that permitted respondents to share their own experiences and understanding about these funding arrangements. I analyzed the data from each interview independently and compared key factors to see if any trends could be identified.

I collected data from seven Salvation Army administrators and key staff persons, and reviewed the historical background of government funding for this organization including its effect on finances, staffing, administrative reporting, and mission. I performed seven in-depth interviews with program administrators, and one of their staff who had been intimately involved in the program. I inquired about the level of government sponsored activity and management's perception of how it affected the organization. The administrators were chosen independently by the Director of Social Services of the Del Oro Division, from a list prepared by the nonprofit's corporate office that identified units currently receiving, or having previously received, government funding. The staff members interviewed were chosen by each administrator.

Research Design

Data were gathered using primarily a qualitative research method involving several steps. The administrators to be included in the study were selected based upon predetermined criteria, for example, upon their current or previous responsibility for administering Salvation Army programs with government dollars. I interviewed administrators from one small, one medium, and one large Salvation Army unit. In addition, I interviewed one administrator who was responsible for very large amounts of government funding while working for the Salvation Army but who has since retired from duty. By doing this, I had a broader perspective on the contributing factors involved in accepting government funding. By interviewing a retired administrator, I hoped to get a perspective from someone not currently impacted by the stresses of leadership and who might more easily share his experiences.

Survey Instrument

The survey instrument (Appendix A) was composed of both closed and open-ended questions designed to elicit the respondent's own understanding of the subject. Each respondent was interviewed using the same set of questions. The questions were structured to reveal each respondent's understanding of the funding structure and its impact upon the organization.

The in-depth interview contained questions that related to the government funding both at that unit and from the administrator's previous experiences. Questions included how often the administrator had been responsible for government funding, the amounts of government funding involved, whether the reporting schedule had any impact on the unit, whether the administrator or unit had ever applied for funding and been denied, and what

other sources of funding were available for the unit. Since the in-depth interview was open-ended, the respondent directed the discussion as long as it remained on subject. Follow-up questions were asked only as appropriate. Finally, an opportunity was given for respondents to relate, in their own words, any additional information, thoughts, or ideas about the issue.

Specifically the survey questions attempted to discover the following:

- What, if any, impact, directly associated with the acceptance of government funding, has there been on finances?
- What, if any, impact has there been on staffing?
- What, if any, impact has there been related to administrative reporting required by government funding?
- Has there been any change in the mission statement or policies in order to comply with guidelines for either applying for or accepting government funding?

Questions 1 through 3 were structured to determine the level of experience the respondent had had with administering government grants.

Questions 4 and 5 dealt with staffing situations that may have been encountered by the respondent in the administration of government grants.

Question 6 dealt with the question of changes in the physical layout of the facility that may have been required by government funding.

Question 7 related to finances and whether government grants had provided dollars that allowed other funds to be utilized in specific ways.

Question 8 asked about changes in the religious atmosphere of the organization that may have been required by acceptance of government funds.

Question 9 asked about changes that may have been required in how the organization related to clients.

Question 10 asked whether government funding had enabled the organization to offer services that would not have been available without government funding.

Questions 11 and 12 dealt with the organization's indirect administrative costs and the administrative cost percentage allowed under the terms of the government grant.

Questions 13 through 15 were opinion questions related to the administrator's perceptions of how the organization was affected by accepting government grants.

Question 16 related to community agencies and the administrator's perceived impact of the Bush Faith-based Initiative (CARE Initiative).

Question 17 asked whether respondents believed that there would be less funding for nonprofits without a church affiliation.

Question 18 and 19 inquired about their perception of future government funding for the Salvation Army especially in regard to the CARE Initiative.

Question 20 asked respondents to give their recommendations in general on government funding.

I gathered my data by taking the following steps, which are based on qualitative research methodology. I sent a letter (Appendix B) to the selected administrators asking for an interview and explaining the reason for the request. The letter affirmed the confidentiality of the material shared and gave assurances that each respondent would be identified only if they so agreed. In addition, the letter suggested that a copy of the completed survey, or an Executive Summary, would be available should they desire a copy. The letter requested two interviews, in each case, one with the senior administrator

and one with a selected, more junior administrator on his or her staff, and indicated that the researcher would call to get their response in a specified time period. As responses to the letter were received, the interviews were set up by phone with those administrators who indicated their willingness to participate. All those asked agreed to be interviewed, therefore it was not necessary to get replacements from the list supplied by the corporate office. Each administrator was asked to identify a convenient time and place for the interview.

I interviewed two people at each location, and one retired administrator, making a total of seven people who participated in this study. Although these people represented individual Salvation Army units, my unit of analysis was the administrator, not the unit. The instrument I used for the in-depth personal interviews was a series of closed and open-ended questions. I also asked for any written information that could be shared that related to the subject of government funding (e.g., memos, meeting minutes, reports both in-house and for the funding agency), in order to provide a larger context from which to draw conclusions and understand the history and the present situation of the organization and its funding arrangements. However, in all cases they were unable to provide me with any written information. A thank you letter (Appendix C) was sent to all administrators following the interview.

I had expected that the controversial nature of the topic within the organization, especially at this time, might result in a low affirmative response to my initial request for interviews; however, due to the fact that my career has been within the organization's officer ranks, I believe respondents felt more at ease in sharing information.

Procedures

I developed a set of questions for the in-depth interviews. The questions used in the interviews included both closed and open-ended questions as well as probing, in-depth questions that asked for personal opinions. To check for clarity and effectiveness in collecting data, I conducted a pretest of the questions with two current Salvation Army administrators not involved in this study, but who have knowledge of government contracting within the organization. An effort was made to choose administrators who had or had had duties similar to the one's that were in the actual study.

I developed an interview schedule and confirmed it by phone. All interviews were conducted during September 2002. I asked permission to use a tape recorder for the interviews—permission was granted in each case—and I took handwritten notes. Each interview lasted approximately one hour. All respondents were interviewed using the same established survey. The recorded interviews were transcribed and analyzed and the data formatted for display. Collected data were analyzed and revised between September 29 and October 29, 2002.

Operational Definitions of Concepts

An examination of any partnership between the government and a faith-based nonprofit requires gathering information on the extent of the organization's funding. The in-depth interview included questions related to finances, staffing, total amount of government funding, facility alterations and changes in conversations with clients. Because this study used a qualitative approach, much of the information to be gathered was designed to reveal each respondent's understanding of the partnership. The

questionnaire used in the in-depth interviews was designed to solicit information based on questions that revealed the view of administrators regarding how or if the organization has been affected by accepting government funding.

Treatment of Data

Because a qualitative research method was appropriate for this research, my choice for treatment of the data was to code for themes and trends that allowed me to analyze across the entire geographical area chosen for this study.

After conducting the interviews and gathering all the pertinent information on the subject, I analyzed the data utilizing primarily a qualitative model based on Analyzing Social Settings, by John Lofland and Lyn H. Lofland. This coding method was applied to the data to categorize, sort, organize, and assign meaning as a means of developing the analysis. I looked for patterns, concepts and ideas that emerged to create the foundation for interpretation and direction for themes. Utilizing the emergent and inductive process, I attempted to generate an analytic statement regarding the questions posed to the respondents.

A primary inquiry of the research was whether or not units receiving government funding had been compelled to make any adjustments or changes in their mission statement, goals, operations, physical environment, staffing levels, training, or benefits. Different themes were highlighted with different colors so that they could easily be identified when looking for similarities or differences among the responses. I anticipated some recurring themes in the areas of extra costs, staff benefits and changes in physical environment. Comments made by persons interviewed, that are relevant to the subject,

are quoted anonymously to capture the opinions and concerns of administrators and staff in their own language.

Limitations of the Study

The Salvation Army is an extremely diverse denomination so there were some differences in the services and programs provided by each unit, depending on the needs of the various communities and the response by the organization. This diversity made it difficult to make comparisons between the selected units' government funding bases. A major limitation was that this study was restricted to the Salvation Army. The exclusion of other church-based nonprofit organizations limited the generalizability of results. Another limitation was the time span of the study: responses related primarily to the period 1970 to 2002. In addition, because the various units did not all have the same type of programs receiving government funding, the comparability was limited.

Other possible limitations included the problem that when recalling past experiences, many people tend to either dramatize or alter history. Some may have a memory loss for historical details. Because of the sensitive political nature of this study, such research may generate suspicion and associated resistance to providing information. This may have happened, even though the reason for this gathering of information was carefully and fully disclosed.

Because this study focused on a rather small geographic area in Northern California and a limited number of Salvation Army administrators and units, the results may not be generalized either to other Salvation Army units or to other faith-based nonprofit organizations. In addition, because the sampling was from a particular region

within California, it may not be applicable to other regions, other states, or even other religious organizations within California. The small size of the sample could also have distorted the conclusions.

A further limitation may be connected to the practice this organization had of transferring administrators from location to location within a fairly short period of time. This means that they may not have had easy access to the information on the government grants that they had administered.

Finally, the researcher is a member of the organization and an administrator within it. Because of that, there may have been either advantages or disadvantages, depending on the level of personal involvement with the administrator being interviewed and their perceptions of the researcher. Nonetheless, this one case may be helpful in illuminating the whole field because of the nature of the organization.

CHAPTER FOUR: RESULTS

In organizing the data from the interviews, I looked for major themes both from the answers to the survey instrument and from the comments made by each respondent. I discovered some common patterns within the Salvation Army in dealing with government funding. Six major areas emerged from the survey where administrators felt that government funding had impacted their unit: reporting requirements, adding equipment, increasing the size of a facility, mission statement, staffing requirements, and the religious atmosphere of a facility. Staff surveyed responded that an area of significance for them was directly related to government funding's impact on the overall workload of the unit. I have organized the results in the same general manner as the survey instrument questions, ending with comments and observations shared by the respondents.

Respondents' Experience

Three of the four senior administrators reported they had been the responsible person in seven to ten appointments that received government funding. One of the four had over twenty years of experience. Only one administrator reported experience of less than three years. The three junior administrators surveyed all reported having four or less years of experience working in Salvation Army units with government funding. However, the amount of experience dealing with government funding did not seem to have a great impact on the perceptions of the administrators, as those with little experience perceived the issues almost identically to those with more experience.

The range of government dollars received was from \$40,000 to \$3.5 million, but even this broad span did not seem significant, as those with fewer government funds

perceived the partnership with government and their organization in much the same way as those with the largest amount of funding. The significance of this may relate more to the fact that this organization is structured on a very hierarchical pattern with everyone receiving the same direction in regard to the administration of their units, than to the fact that one unit was receiving much more government funding than another.

Three of the administrators believed that the government funding was responsible for enhancing their overall financial base and that because of receiving government grants, other entities, such as foundations and other private organizations that granted dollars for social services, became more interested in supporting the organization. One respondent said, "If we had not been successful with the government dollars, [other fund granting entities] would not have been interested" in supporting the programs.

Responses

Staffing and Workload

The responses on staffing were quite conclusive and seemed to indicate that the acceptance of government grants impacted this area on a number of levels. As one respondent stated, "There were quite a few requirements regarding staff that you had to comply with." All seven respondents reported staffing changes; however, most indicated that any expenses related to these changes were written into the grant so the organization had no additional expenses in order to comply.

One administrator reported that additional staff hours were required in order to comply with their grant. Another cited additional training for one of their staff who was already employed. Another responded that they actually had to add staff in order to receive the funding. Interestingly, none of the respondents indicated that there had been

any requirement to provide staff with certain degrees or other certifications; however, one of the respondents stated that this was only because they had "set the guidelines [for staffing] in the grant preparation myself."

Most respondents identified the preparation of the grants as one of the most time consuming parts of acquiring government funds. All of those interviewed indicated that there was indeed an additional workload for both administrators and staff in the required reports. One junior staff person responded that although they normally had many reports to complete, the government grant reports were much "more detailed" than those they normally had to prepare for the organization and for other grantors. Another staff person reported that the "extra workload was one of the biggest areas on staff," particularly in the areas of statistics and payroll. Five of the respondents identified reporting requirements as the most burdensome aspect of government funding.

Facilities: Property and Equipment

Responses to the question of whether there was an impact on the facility or its furnishings resulted in a number of different answers. Replies were basically divided into two categories: in some cases, that changes were required under the terms of the grants, or in order to qualify for funding, while in others, that they came about as a natural result of the funding but were not a requirement for acceptance of the grant dollars. For example, one respondent stated that they had to add computer equipment and a new phone system, and although this was not a grant requirement, in order to do what the grant money was given for, they had to upgrade in these areas. Another respondent stated that at a previous location they had "to add additional square footage in order to be certified in order to receive government dollars."

One respondent indicated that they had been required to remodel their facility to comply with ADA regulations and that "this was a grant requirement." An interesting response by the administrator who received the largest government grants revealed that although they could have received the money from government sources to make certain improvements, instead of doing that, they had found the dollars to make these changes in their facility from another source "so we wouldn't be beholden to those [government grant] restrictions."

Another respondent reported that they had never been required to remove any religious symbols from their facility, but another related that when he was first appointed to a certain location the previous officer had accepted a government grant that required all religious accoutrements to be removed from the building. He was so incensed by this that he returned the dollars to the grantor and replaced all the items that had been taken down.

Religious and Social Mission

A feature that was consistent in all the responses was that the organization represented itself as a religious organization right from the beginning of the collaboration with government entities. Respondents felt that this helped to eliminate any possible problems with grants requiring changes in the religious atmosphere of the facility. It was also stated that this reduced the risk that the organization might be restricted in conversing with clients about spiritual matters or providing them with information on religious activities. One of the administrators indicated that the intention behind the language in grant notices needs careful attention. Although the wording may be "very nebulous and could be interpreted to say that you can't do anything religious," it might

alternatively be construed much less strictly as requiring them to not proselytize, take an aggressive stance or require people to attend religious services to receive services.

Another respondent said when a government entity in their city asked them to provide a case management program, he said that if they couldn't put a question on their intake form asking clients if they wanted to know anything about their religious programs "we would tell them [government] to keep their money and we wouldn't do the program."

An additional, and related, point was brought up by one of the administrators, whose unit was located in a small, conservative county with only one board to determine which agencies would get certain government grants. This respondent believed that because of the good relationship established with the people sitting on this board, the organization had a much higher likelihood of receiving funding. It was also possible that a more relaxed attitude would be taken in regard to what they could and could not do at the facility regardless of the grant language or formal restrictions on the religious context.

Benefits for Non-Government Funded Activities

It is significant that every respondent perceived government funding to be good and useful, allowing the organization to apply non-governmental donations to other service areas, to an extent that would not be possible without it. One administrator stated that "without government funding we couldn't do the [other] programs we do here." All the respondents agreed that the organization's public image was enhanced by the ability to provide additional, non-government-funded programs. One administrator stated that they believed it had a definite impact on increasing regular donations by the public: "Once the public sees what we are able to do for clients, in the long run [it] will increase our donations. The community is benefiting."

All respondents indicated that because of the receipt of government funds they were able to spend regular donations on other costs such as staffing and administrative costs that were not covered by the grant. Two administrators reported that because of government funding they were able to use regular donations for enhancements such as program supplies and staff conferences. One of the respondents stated that this was one of the "definite positive[s] of receiving government funding."

Administrative Cost Discrepancies

None of the administrators reported any financial shortfalls caused by supplementing the government's allowable administrative fees, which are normally around 2-4%, to a level commensurate with the organization's support service rate of 10%. One administrator stated that they make up this difference through other donations and another stated that they were able to address this matter by clearly designating actual costs within the proposal. Five of the seven respondents indicated that they wrote the grants to include indirect costs such as support service and therefore avoided that problem entirely. Only one respondent reported that they had turned down a State grant because of the difference in the allowed administrative fee in the government grant and the 10% required by the organization.

Mission Statement

One of the major areas of agreement, and perhaps one of the most important, dealt with the issue of the organization's mission and whether it was impacted by the influence of government grants. There was very strong agreement among all those surveyed that government had no impact on the organization's mission, despite the regulations accompanying many of the grants. There was total agreement by all respondents that the

organization's mission had not been, and would not be, affected in any way by accepting government funding. As one respondent phrased it, "we have turned down government funding because it did not fit into our mission." Another stated, "we have to stick with our mission and we cannot abide by their rules if it goes against what we believe. Our mission goes hand and hand with our social services. We cannot separate mission from service." Only two of the seven administrators felt that there was any possibility for intervention by government with the organization's mission or policies. However, both offset that thought by agreeing that it was highly unlikely this intervention would be successful, given the strong feelings within the organization about the primacy of its mission.

At each location surveyed, the Salvation Army administrators and staff members that were interviewed were in agreement on the issue of whether grants conflicted with Salvation Army policies. They made it very clear that they felt that the opportunity was there for some type of conflict. As one respondent stated, "there are some grants that come through that are really obviously opposed to or put restriction on our mission and policies." Whereas all other respondents agreed that there definitely were many policy conflicts associated with government grant requirements and Salvation Army policies, the retired administrator, an employee with the most experience and the largest grants, had somewhat different views.

Secular Funding and the Religious Mission

Every respondent felt that it was definitely appropriate for the Salvation Army to accept government funding. However, each one added specific qualifications to his or her statement. One commented: "...if in the future restrictions are placed on us then we

would have to weigh the options and [decide] whether we could accept government funding.” Another observed that it was appropriate as long as the grant "guidelines match the mission and our vision." One respondent cautioned, "I would not encourage anyone who has a small Corps, without a lot of donations and a real sound donor base, to build programs around grants." Finally, the administrator who received the largest grants over the longest period of time summed it up by saying, "yes, [I accepted government grants] because I believe in partnership."

Implications of Rejecting Government Funds

Everyone interviewed believed that if the Salvation Army would not allow the acceptance of government funding, the organization's ability to provide social services would be extremely limited. For example, one respondent whose unit was heavily involved in a case management program supported almost 100% by local government funds, flatly stated that they "couldn't do case management" without the funds from the City.

The administrator who had received the largest government grants remarked that for 19 years the program she managed had run totally on government funding, without any need for support from the organization. That administrator went on to say that when the criteria for applying for these same government grants changed, and the requirement to add same-sex partners to the health benefits package was added, this went against Salvation Army policy and the organization was unable to apply for or receive funding. The entire program was lost to the organization along with the ability to "reach out and touch people."

The Organization and Coalition Partners

Six of the respondents reported that they had participated in coalitions, or other collaborative alliances with other service providers; some, however, were not as involved as others. One said only that they tried to collaborate with other groups providing social services within their community but did not belong to any formal group. Partnership was a common issue mentioned regarding coalition participation: it was important to "keep in touch with all the other agencies and what they are doing and not be competitive but work together." Although participation in coalitions was reported, it did not surface as a priority in their tasks as administrators or in their ability to receive government funding.

Non-Faith-Based Nonprofits

Four of the respondents answered that they believed there would be less funding available to non-profits without a church affiliation if legislation similar to the Bush Faith Initiative passes. Two believed that there would be more funding but not from government sources. They believed that other sources would look at the agencies that had been removed from competition because they did not have a church affiliation and think "the faith-based groups are getting plenty," and would give their donations to that segment. One stated that they were unsure and could not predict the future.

Bush Faith-Based Initiative

Answers to this question were very varied. Of the seven surveyed, one responded that they were uncertain how this initiative would affect the organization. Two stated that "because we [The Salvation Army] are seen as a leader" there would be more government funding available to this organization. One administrator stated that "the Army has been in the position of receiving government grants for decades and so in reality we don't need

the faith-based initiative." However, they added that as more money becomes available for such organizations, there would probably be more competition for funds. Two respondents indicated that they believed that government funds would "dwindle, especially in this part of the country and primarily because of the criteria change referred to in the previous section, entitled Implications of Rejecting Government Funds, wherein the City of San Francisco required all funded agencies to extend health benefits to same-sex partners. They saw this as an unwanted intrusion by government into a private agency that hurt and confused many donors and clients, and expressed the idea that "eventually the Army [would] have to say bye-bye to government funding." Only one respondent had confidence that in the future the Salvation Army would not require government funding; everyone else anticipated that not only was government funding necessary to their ability to provide social services, but such funding would increase in the future, especially if the CARE Initiative ever became law. Finally, one respondent felt that funding would remain about the same for the organization, despite the possible passage of the CARE Initiative.

Other Comments and Recommendations

All of the administrators who were surveyed agreed that developing a separate division of the Salvation Army in order to accept and utilize government grants was not something they would feel comfortable approving. As one respondent stated, "if we did that just to get government funds, we're not going to be in anyone's good book."

With the question of dividing the church and social service programs into separate and distinct units with separate staff and administrators, no one was in agreement. Although it was mentioned that the Canadian Salvation Army originally began utilizing

this method, no one felt that it would work here in the United States and, in fact, they believed "it would hurt rather than help."

Six of those surveyed agreed that additional research on how the Salvation Army can accept government grants and still maintain its autonomy could make a contribution, but one felt it was not an issue of how much money we could get, but how we "do the job of helping people and maintain our integrity." One of the respondents suggested that they thought that it would be helpful to the local unit administrators to "have someone at either the territorial level or at least at a divisional level that would research and let the Corps know what is available" in government grants.

All respondents agreed that the organization should maintain the policy of not accepting government grants that conflict with the organization's present policies. However, one administrator felt that the organization should be flexible and not assume that certain language might someday be a problem.

A bit of advice was shared by one of the respondents regarding accomplishing what the community or the Salvation Army hierarchy expect from the organization: "I think that the biggest mistake we make is that grants are our answer for being under funded and I don't think we should ever take that approach. I think you need to rely on what you can afford to do and then look at grants as a way to augment what you are already doing. You can't just go out and look for money in grants to supplement your budget."

CHAPTER FIVE: SUMMARY AND CONCLUSIONS

Review Of The Problem

Without support through government funding, most faith-based organizations would not be able to provide the breadth of social services that are available to the needy. However, how those dollars affect the organization is of great interest, especially now when faith-based funding may make it possible for much more money to be available. The importance of discovering how faith-based organizations deal with the myriad of government regulations and restrictions that are often part of the funding is critical to the ability of such organizations to stay true to their mission and still continue to receive government funds.

This study examined a small section of one faith-based organization to discover how, over decades of collaboration with government entities, they have been able to keep to their original mission and not allow politics to determine their direction or policies. Some difficulties in these collaborations have been explored in this study, but also identified are several important ways of making these collaborations beneficial both to the organization and to the public. In response to what Peters asserted in her thesis, “Government Contracting and The Unionization of San Francisco’s Social Service Nonprofits” — that there is concern that nonprofits may feel pressured to make changes in their missions and goals to fit government standards and to maintain their eligibility for government dollars, this survey clearly indicated that the Salvation Army has maintained its stance and stayed true to its mission and goals.

There are certainly implications inherent in accepting government funding; however the risk identified by the 1998 Conference, that faith-based organizations may lose their "prophetic voice," was not validated by this survey. In addition, the concern that faith-based organizations may be pressured to deny services to certain client populations or have limitations placed on them in regard to advocacy, while acknowledged by some respondents, did not alter their policies or behavior.

Discussion of the Findings

The range of experience among the respondents extended from 4 years or less to over 20 years, but this did not seem to have any impact on how they dealt with administering the government funding at their units. It would therefore seem that experience is not a crucial factor. Nor did the size of the funds involved have any great impact on the ability of the respondent to administer government grants in a successful manner.

The tendency of government funding to increase the burdens on staff and their workload did emerge as one of the key factors with all seven of the respondents. This added a burden of work and time required for oversight. Although there were changes in staffing related to the requirements of the grants, for the most part all changes were written into the grant and did not necessitate additional expense for the organization. As pointed out previously, the most time consuming obligations were in the grant preparation (proposal writing) and the reporting requirements. Especially significant to all the respondents was the statistical reporting that turned out to be one of the most

demanding on both time and energy. As one administrator stated, “Extra workload was one of the biggest areas on staff,” particularly in the area of statistics.

Facility changes did not have the importance that might have been expected. Although changes were required in some cases, they related mostly to improvements in systems and to upgrading facilities. It seems that these changes were more related to improving the working conditions rather than changes forced upon the organization by the grant requirements.

A key finding of this study was that in practice the spiritual and social mission of the organization was not noticeably diminished, in the view of the respondents. Most administrators stated that they were able to manage any potential conflicts by making sure that the grantor knew who and what they were right from the beginning of the collaboration. For most of the administrators I interviewed, remaining flexible about the language of the grants, and establishing a good relationship with the people in the community who controlled the funds were two important techniques used to eliminate potential conflicts.

A second key finding was that all respondents felt that collaborating with the government to provide services was a good thing. It became clear that these administrators believed it was only because of government funding that they were able to provide other necessary services to their community. In fact, the positive impact on donations received from non-government sources was cited very often as one of the advantages of having programs supported by government funds. Along these same lines, all respondents indicated that the receipt of government funds gave them the leeway to use their other donations for many services and programs that would otherwise be

impossible for them to provide. Rather than being a negative, therefore, government funding was identified by respondents as a positive impact.

The third primary finding was that the government grants did increase the administrative cost burden, but Salvation Army administrators were able to manage this by structuring their grant proposals to fit within government guidelines. A typical government grant limits administrative costs to around 2-3%; however, Salvation Army internal policies require 10% to be budgeted for "support service" from every grant. Salvation Army administrators reported little difficulty with this burden and indicated they were able to reconcile this difference by compensating in other areas or, as one respondent reported, by "clever management," making sure the cost is written into the grant in another way.

Despite the fears expressed in some of the literature regarding pressure by government to change an organization's mission or policies, the responses of those I interviewed suggested there is little chance of that happening in the Salvation Army. The fact that several respondents mentioned they were willing to turn down government grants offered to them that did not fit in with the mission of the organization is evidence of how strongly the principles of the mission are supported. Although most of the administrators felt that the potential was there for conflict, they made it very clear that they would steer clear of grants which would require changes in the religious atmosphere or in the Army's ability to provide religious materials to clients, or attempt to control policy by requiring benefits not presently offered, or contrary to the religious beliefs of the organization to be provided. As one administrator put it, "there are some grants that make some very unreasonable demands. I've never applied for those. I just don't apply

for those kinds of grants.” Another related that the administrator's skill in writing grant proposals could eliminate many problematic areas in advance. The design of the grant application emerged as one of the most important factors in making the actual working of the relationship a positive experience.

In light of the history of religious organizations' involvement with meeting the needs of the less fortunate, I was not surprised that the responses of the Salvation Army administrators indicated support for acceptance of funding from government to continue that task. In fact, providing for the needy is part of this organization's mission statement. But what was somewhat unexpected was the strong affirmative response to the question of whether it was appropriate for the organization to accept government funding, and the assurance that the experience of government funding was a positive one. In fact, every respondent reported that without government funds they would not be able to provide the plethora of services they now offer and that, if the organization were to restrict them from accepting such funding, this could be a tragedy both for the organization and for the public that it serves. The problem that occurred in San Francisco a number of years ago, when the City changed the criteria for application so that they conflicted with the Salvation Army policies, is a prime example of what could happen. Ultimately, when a fundamental conflict in policy occurred the Salvation Army had to stand its ground and not accept the funding to run the social service programs that had benefited thousands of San Francisco residents for more than 15 years.

On the issue of funding for non-profits without a church affiliation, there seemed to be a feeling that the future was very unpredictable. Some believed that there would be less funding and some thought there would be more. Some even believed that more

funding would come from sources that were not governmentally affiliated. On the faith-based initiative issue, once again everyone seemed to have his or her own opinion. The study can therefore draw no conclusions on these questions.

Contrary to what I discovered in my literature search, I did not find that pressure by government to control the nonprofit sector was evident in this organization. In fact, the suggestion by Hagen (1991, p. 45) that there are some benefits in accepting government funding was upheld by everyone I interviewed. Actually, Kenneth Cauthern's caution that "government support for faith-based human services is full of complications, dangers, ambiguities and subtleties" (2001, p. 5) is validated, but this study also indicates that this is a resolvable issue and such complications can be addressed in a positive manner.

Conclusions

The question posed by this thesis, Government Funding—Blessing or Bane? was resoundingly answered by all the respondents as a blessing. Although some weaknesses in the collaborations were recognized by each respondent, none were so overwhelmed by these negative factors that they believed the Salvation Army should not continue accepting or applying for government funds. All stated that without their government funding they would not be able to provide the social services that they now offer. In addition, the funding by government entities allows them to use other donations for necessary items that are not covered by the grant, such as employee enhancements and program supplies.

Although there were only seven interviews in this study, it was very suggestive about how the Salvation Army deals with potential problems associated with government funding. In spite of the fact that I had not made any specific assumptions regarding results, based on my own personal experience with the organization I anticipated that this study might reveal significant negative impact on the nonprofit organization that accepted government funding. While it is true that government funding of faith-based nonprofits is not an area without its problems, the responses tended to be much more positive than negative. This may be attributed to the long history this organization has in collaborating with government, during which it has learned how to resolve many of the problems I had anticipated seeing and that were identified in my literature search.

Many of the respondents identified successes that have been realized through the collaboration of their organization and the government. Identifying what works and what does not work, or the positives and negatives of the issue of government funding, is critical to the ongoing partnerships, especially as more government dollars may be available in the future. Three key factors that respondents felt were important and might result in a positive experience for faith-based nonprofits accepting government funding were: developing good connections with the people in your community who sit on the funding boards, being skillful in both writing the grants and interacting with the grantors, and divulging who and what we are up front in the grant application. Although these factors for a positive experience were identified by this study, there could be many more and different factors that can lead to a positive relationship between a faith-based nonprofit and government. Finding ways to work out the possible kinks in these arrangements may mean that organizations like the Salvation Army will be able to

continue providing essential services to the public rather than having to reject government funding because of the pressure to conform with government regulations.

This study provided an opportunity for administrators to share their perceptions of the impact of government funding on Salvation Army social services. It is interesting that neither the size of the unit nor the size of the funding seemed to have any great impact on the perceptions of either the administrators or the staff members that were interviewed. The value of this study may be in the cumulative sense of the combined answers that so strongly supported the value of government funding to the organization. In addition, some of the cautions and recommendations that administrators voiced about being careful about the intentions of the language in grant proposals, may be of benefit to future administrators who want to avoid some of the possible problems associated with government funding of a faith-based nonprofit.

An unexpected finding was the degree of control that administrators exercised over this grant process. I believe it is this sense of "ownership" of their programs that allowed them to state so unequivocally that even while accepting government funding they would remain true to their vision, mission and goals. Being willing to say "no" to funding that might impact on these important foundations brought forth the strength that seems to be inherent in being part of an organization with such a strong mission and support system.

Overall, the study suggests a clear answer to its central question about the impact of government funding on one faith-based organization: This funding is perceived as having many positive benefits that would never be available without such support. I believe that the patterns that emerged from this study of successful relationships with

government could give other Salvation Army units and even other faith-based nonprofits some direction for future partnerships.

There seems to be significant interest in studying this phenomenon, and much more research needs to be done before a complete picture of faith-based and government collaborations can be drawn. I recommend that a more in-depth and larger survey, that includes not only the Salvation Army but also other faith-based nonprofits, could enlarge our understanding of this partnership and perhaps make such collaborations less antagonistic and more fruitful.

Approval Page

This Thesis written by

Noreen Scott

This Thesis written under the guidelines of the Faculty Advisory Committee, and approved by all its members, have been accepted in partial fulfillment of the requirements for the degree of:

Master of Nonprofit Administration

at the

University of San Francisco

Research Committee:

Chairperson

Second Reader

Program Director Date

Dean Date

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APPENDIX A: SURVEY INSTRUMENT

The Salvation Army and Government Funding—Blessing or Bane?

These questions will be used to conduct in-depth, structured interviews with present and past officers/administrators and staff responsible for administering government funding in selected units of the Salvation Army in Northern California. The questions will be used to explore the experience level of the respondents and their perceptions of government funding and its possible impact on the organization. The questions are designed to provide a structure for the interview; however, flexibility is critical in order to allow the respondent to guide the interview to some degree so that a more complete picture can be obtained of that person's perceptions. This may also encourage the respondents to express their feelings in their own words. Each question on the survey will be asked of each respondent. The sub-categories or follow-up probes may be used to gather additional information.

Given the diversity of respondents—present and past administrators, paid staff and Salvation Army officers—the researcher will tailor the exact questions so they are appropriate to each respondent's position. Therefore, each survey will be slightly customized to be appropriate to the given respondent and to elicit the most detailed information possible from the respondent.

Where it is permitted the interviews will be taped and, if requested, transcription will be forwarded to the respondents for their approval.

1. How often have you administered programs funded by government grants?

Very often ____

(In 7 to 10 appointments/positions)

Somewhat often ____

(In 4 to 6 appointments/positions)

Less often ____

(In 1 to 3 appointments/positions)

More than 10 appointments/positions ____ (please give total number)

2. What is the largest individual government grant that you have administered in a one-year period (either annual or fiscal basis)? \$ _____
3. What is the largest total of government funding you have administered in a one year period (annual or fiscal)? \$ _____

Follow-up/probe: How many separate grants did this represent? _____

4. Have you administered a government grant that required a change in the established staffing for that unit?

Yes ____ No ____

Follow-up/probe: if yes,

- A. Did you have to add staff? Yes ____ No ____ If yes, did adding staff cost the organization in any of the following:

Additional Payroll costs not covered by the grant? Yes ____ No ____

Training or retraining of existing staff (not covered by grant)? Yes ____ No ____

- B. Did you have to hire staff that had certain qualifications or degrees in order to meet the funding requirements? For example, degrees or certifications Yes ____ No ____

If yes, was there a cost (if not covered by the funding) to the organization to add these persons to the staff? Yes ____ No ____

5. Has accepting government funds imposed any additional workload on your staff?

Yes___ No___

Follow-up/probe: If yes, did the additional workload relate to:

A. reporting requirements

B. specific financial requirements (e.g., keeping separate bank accounts for grant funds, preparation for required audits)

C. Payroll/accounting/ benefits

D. Other (explain)

6. Have you administered government funding that required you to make changes in the physical attributes of the facility, such as adding office space, phones, etc. (not covered by funding)?

Yes ___ No___

Follow-up/probe - what types of changes were required?

7. Has the receipt of government funding enabled your unit to spend public donations (e.g., kettle money) for costs like staffing and administrative costs not covered by grants?

Yes___ No___

Follow up as necessary.

8. Have you administered government funding that required you to make any changes in the religious atmosphere of the facility in order to be funded?

Yes___ No___

A. If yes, ask if they are willing to share what kind of change was required.

B. Was there a financial cost involved for making any of the changes?

Yes__ No__

If yes, (and not covered by grant) ask how much \$ and where did the \$\$ come from?

9. Have you administered government funding that required you to make changes in the way the organization related to clients in order to be funded?

Yes__ No__

Follow-up/probe: If yes, ask:

A. What, if any, changes did you have to make in conversations with clients?

B. What, if any, changes did you have to make in providing offering information or advice to clients?

C. Do you feel that any of the requirements mandated by the government funding conflicted with the organization's religious positions? Yes__ No__

Explain: _____

D. Did the government funding restrict you from providing materials that identified your religiously affiliated programs or activities? Yes__ No__

Explain: _____

10. Has government funding ever enabled your unit to provide programs or services that you would not have been able to provide without the funding? Yes__ No__

Follow-up/probe: If yes, did this service enhance the public image of the organization in your community? Yes__ No__

If yes, how? In your opinion, did this result in increased financial support from foundations, corporations or increased public donations?

Explain: _____

11. Have you ever had to supplement the difference between the government funding's allowable administrative fees to comply with the Salvation Army's 10% support service regulation?

Yes__ No__

Follow-up/probe: If yes, ask the following:

- A. Would you identify the funding agency that produced this problem?
B. How did you make up the difference?

12. Were you ever faced with the decision not to accept government funding because of the problem of having to make up the difference in the administrative fee?

Yes __ No __

Could you explain your reasons for making the decision not to accept this government funding?

Yes __ No __

Explanation: ____

13. Do you believe that accepting government funding affects the Salvation Army in any way?

Yes __ No __

Follow-up/Probe:

- A. Lost autonomy – government might be more able to determine policies and programs than organization?

Much__ Little__ None__ Don't know__

- B. Opened itself up to a possible distortion of its mission?

Much__ Little__ None__ Don't Know__

C. Allowed for the loss of local control of its programs?

Much___ Little___ None___ Don't Know___

D. Allowed for the possible message to some donors who might feel their

contribution was no longer as important, resulting in loss of revenues?

Much___ Little___ None___ Don't Know___

E. Allowed for upgrading of your services to the public?

Much___ Little___ None___ Don't Know___

F. Made it possible for the unit to provide a service it might otherwise not be able to offer?

Much___ Little___ None___ Don't Know___

14. Do you believe accepting government funding, in order to provide social service programs, is appropriate for a religious organization such as the Salvation Army?

Yes ___ No ___

Follow-up/probe for an explanation related to answer. Why or why not?

15. Do you believe the Salvation Army would be restricted in its ability to provide certain social service programs if government funding was not allowed by the organization?

Yes ___ No ___

Why or why not?

16. Do you participate in a coalition with other community agencies?

Yes ___ No ___

If yes, do you think that special funding to religious organizations, as the Bush Faith-Based Initiative (Armies of Compassion Initiative) may provide, will create contention within the coalition?

Yes ___ No ___

Follow-up/Probe: If yes, what might be the reasons for contention within the coalition?

17. Do you believe that special funding to religious organizations might result in less funding for non-profits that do not have a church affiliation?

Yes ___ No ___

Why (expand)

18. What do you perceive to be the future of government funding for the Salvation Army?

Please explain: _____

19. What possible impact might there be on government funding for the Salvation Army if the Bush Faith-based Initiative (Armies of Compassion Initiative) is approved?

Please explain: _____

Follow-up/Probe:

Will there be more government funding?

Will there be less government funding?

Will the government funding level remain the same?

Have no idea.

20. If you were able to share your thoughts on government funding and the Salvation Army, with the Army hierarchy, what would you say?

Explain _____

Follow-up/Probe:

Would you recommend:

- A. Exploring the development of a subsidiary or separate division of the Salvation Army that could accept and utilize government grants similar to Catholic Charities?
- B. Dividing the church and social services aspects of the organization, with separate administrators and staff for each, similar to what is done in the Canadian Salvation Army?
- C. Conducting further research on how the Salvation Army can accept government grants but still maintain its anonymity?
- D. Maintaining the current policy of not accepting government grants that conflict with the organizations present policies?
- E. None of the above.
- F. Don't know/no opinion.

Please share any additional thoughts you have about government contracting and the Salvation Army. Your comments will remain anonymous. Thank you for your time and assistance.

APPENDIX B

Consent Cover Letter

Date

Officer/Administrator
the Salvation Army
Any street
Any town/city

Dear,

My name is Noreen Scott and I am a graduate student in the College of Professional Studies at the University of San Francisco where I am seeking my Master's in Non-Profit Administration. As part of my graduate work, I am writing a thesis on the Salvation Army and government funding. The study is intended to explore the strengths and weaknesses of government funding in the faith-based, nonprofit sector, from the perspective of the officer/administrator. The study may also discover what effect, if any, these collaborations might have on the organization.

You are being asked to participate in this research study because you are, or have been responsible for, a Salvation Army unit or program that receives government funding. I obtained your name and contact information from The Salvation Army Territorial Headquarters (Corporate Office) in Long Beach, California. Territorial Headquarters is aware of this study but does not require that you participate in this research. Your decision as to whether or not to participate will have no influence on your present or future status as an employee with the Salvation Army.

If you agree to be in this study, I will ask you to meet with me for an interview where I will ask questions related to your experience and perceptions regarding government funding of Salvation Army programs. Specifically, I am asking permission to conduct at least a one-hour interview with you and one other member of your staff, identified by you, who can give me additional insight into these collaborations. I am also requesting your approval to receive background materials related to programs supported by government funds.

It is a possibility that some of the questions asked during the interview might make you feel uncomfortable, but you are free to decline to answer any questions you do not wish to answer, or to stop participation at any time. I assure you that all information, both verbal and written, shared by you and your staff will remain strictly confidential and no respondent will be identified. Also, to ensure that I have your exact responses, with your permission, I would like to tape record my interview with you and selected staff

members. Should you not wish to have a tape run I would still ask permission to do the interview.

Participation in this research study may mean a loss of confidentiality. Study records will be kept as confidential as is possible. No individual identities will be used in any reports or publications resulting from the study. Study information will be coded and kept in locked files at all times. Only study personnel will have access to the files. Individual results will not be shared with personnel of your or any other organization.

While there will be no direct benefit to you from participating in this study, the anticipated benefit of this study is a better understanding of how The Salvation Army and government are working together, especially at this time when there is so much emphasis by government on funding faith communities.

There will be no costs to you as a result of taking part in this study, nor will you be reimbursed for your participation in this study. **PARTICIPATION IN THIS RESEARCH IS VOLUNTARY.** You are free to decline to be involved in this study, or to withdraw from it at any point.

If you have questions about the research, you may contact me at any time at 510.713.9052. If you have further questions about the study, you may contact the IRBPHS at the University of San Francisco, which is concerned with protection of volunteers in research projects. You may reach the IRBPHS office by calling 415.422.6091 and leaving a voicemail message, by e-mailing IRBPHS@usfca.edu, or by writing to the IRBPHS, Department of Psychology, University of San Francisco, 2130 Fulton Street, San Francisco, CA 94117-1080.

I sincerely appreciate your consideration of this request and look forward to meeting with you. If you would like to receive a copy of the completed thesis, or an Executive Summary, please let me know when we meet for the interview.

If you agree to participate, please complete the enclosed Consent to be A Research Subject form and return it to me in the enclosed preaddressed, stamped envelope by August 26 or sooner if possible. Thank you for your consideration.

Sincerely,

Noreen Scott (Captain Noreen French)
Graduate Student
University of San Francisco

Attachments

APPENDIX C

Thank You Letter

Date

Officer/Administrator
The Salvation Army
Street address
City

Dear

RE: Survey on The Salvation Army & Government Support

Please accept my thanks for your participation in this important study. Your insight has been most valuable. Frankly, without your assistance this study would not have been possible. I have enjoyed working with you and I thank you for your time and your willingness to share your perceptions and experiences.

Sincerely,

Noreen Scott (Captain Noreen French)
Graduate Student
University of San Francisco