

**Attitudes Toward Public Funding for Faith-Based Organizations
and the Potential Impact on Private Giving**

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Introduction

Using faith-based organizations (FBOs) to provide services to those in need is not a concept without tradition in this country (Hall 1997). As Heinrichs (2001, p. 4) notes, “over the past few decades, large amounts of federal money have poured into religious charities [with] organizations run by the Catholic Church now receiv[ing] \$2.3 billion annually, and Lutheran Services in America receiv[ing even] more.” Yet it was the “Charitable Choice” provision of the 1996 Personal Responsibility and Work Opportunity and Reconciliation Act that first allowed religious organizations to participate in the competitive bidding process for government contracts without giving up the religious character of their work. The President’s effort to broaden and strengthen Charitable Choice implementation is a cornerstone of his domestic policy agenda and has led to the establishment of the White House Office of Faith-Based and Community Initiatives (OFBCI). Though benefiting from White House support, Charitable Choice remains a controversial policy, instigating much commentary and debate about the appropriate role of FBOs and speculation about possible unintended consequences of the policy.

To improve the quality of the discourse surrounding Charitable Choice, this study uses public opinion survey data to examine two questions: 1) Who supports Charitable Choice? and 2) What effect might government funding of FBOs have on individual charitable giving to FBOs? To explore these questions, this paper will first summarize the existing literature related to the two research questions, and then present our data, methods, results, and conclusions.

Public Opinion about Charitable Choice

Extensive commentary and a small, but growing body of empirical research has contributed to understanding the dimensions of public support and opposition to Charitable

Choice. Arguments cited in favor of Charitable Choice include the claims that FBOs are more effective than government and other nonprofit organizations in providing services and that religion and faith help solve social problems. Critics of Charitable Choice argue that FBOs will inappropriately use government funds for religious activities, that government funding of FBOs erodes Constitutional church-state separation, and that Charitable Choice threatens the religious freedoms of people receiving government-funded services.

Van Slyke and Horne (2002) drew on this commentary to distill a set of arguments for and against government funding of FBOs and used public opinion survey data to identify the attitudes underlying Charitable Choice support and opposition, finding that support seems most grounded in the belief that religion and faith help solve social problems. Most other empirical studies have sought to identify individual characteristics related to support of Charitable Choice. In a survey conducted for the PEW Foundation in March 2001, political party affiliation, religious denomination, age, and race were all found to be important predictors of support for government funding to FBO social service providers. Republicans were more in favor of Charitable Choice than Democrats. Not surprisingly, those who identify with a religious denomination and attend church were more in favor than those who were not religious, with evangelical Christians showing the strongest support. Blacks and Hispanics endorsed public funding of FBOs more than whites. Older individuals, especially those over age 65, were less supportive, citing concerns about the separation of church and state. These findings are also generally consistent with those identified by Bartkowski and Regis (1999), Chaves (1999), and Cnaan and Boddie (2001).

The Effect of Public Funding on Private Giving

Although perhaps not as apparent to the general public, another important dimension of

Charitable Choice relevant to nonprofit leaders and policy makers is its potential to affect levels of private contributions to FBOs. Some argue that government funding of an FBO would act as a signal of the organization's quality to potential donors, encouraging increased private giving. Such reasoning is consonant with President Bush's rationale for the policy: In his January 29, 2001, Executive Order, one of the stated principal functions of the OFBCI is "to encourage private charitable giving to support faith-based and community initiatives." In his *Rallying the Armies of Compassion* speech¹ the President states, "our faith-based and community agenda will be organized around three lines of action"; one of those actions is "stimulating an outpouring of private giving to nonprofits, faith-based programs, and community groups."

However, contrary to the hopes of the President, a number of religious leaders and others speculate that increased public funding for FBOs could lead to decreases in private giving. It is thought that such a "crowding out" effect would follow from the perception of would-be private donors that FBOs receiving government funds would need less private support. Some go further to argue that crowding out would also be observed due to a resistance of potential donors to support any organization with ties to the government.

Empirical investigations of the effect of government funding on private giving offer inconsistent findings. Green and Sherman (2002, p. 34), in a survey of 389 government-funded faith-based programs in 15 states, found that only 1 percent of the respondents agreed with the statement that "accepting government contracts threatens to reduce the amount of private funds given to our program," with 90 percent either disagreeing or strongly disagreeing with this statement. In a recent review, Brooks (2000) found that empirical studies had yielded mixed results, with some evidence of increased giving correlated with government funding, but with

many more studies indicating a crowding-out effect ranging from as little as 2 cents to as much as 53 cents decreased private giving for every dollar of public funding.

Others have demonstrated that the relationship between government funding and private giving is not uniform, but depends on several factors, including 1) whether the level of public funding allocated is at the federal, state, or local level (Steinberg 1987, Kingma 1989, McClelland 1989); 2) individual motivations for charitable giving ranging from altruism, feelings of warm glow, tax benefits, social responsibility, or prestige and peer effects (Rose-Ackerman 1987, Andreoni 1989, 1990 & 1995, Glazer and Konrad 1996, Clotfelter 1997, Harbaugh 1998, Brown 1999, Ribar and Wilhelm 2002); and 3) the charitable subsector targeted for public funding, such as arts and culture, health, education, social and human services, and environmental organizations (Payne 1998, Brooks 2000). For example, Brooks (2000) found a small but statistically significant crowding-out effect for social and human services but no effect for education or arts and culture.

The role of the subsector in mediating the effect of government funding on private giving suggests that this relationship may also function differently for FBOs, yet no study to date has specifically examined this relationship, a gap addressed in this paper. This study tests some of the findings from previous research and also expands this body of literature by taking a multivariate approach to analyzing individual characteristics related to support for Charitable Choice.

Methods

This study identifies the socio-demographic characteristics of those who support government funding of FBOs and the potential effect of such funding on private giving through analysis of public opinion data. The data used in this study are from a random digit dialed

telephone survey representative of adults in Georgia, called the *Georgia Poll*, conducted by Georgia State University during the summer of 2001. For the summer 2001 poll, 786 Georgia residents were randomly selected and interviewed on a variety of public policy issues, including a series of questions related to government funding for FBOs.²

It was anticipated that respondents would be unfamiliar with Charitable Choice. This suspicion was confirmed: Respondents were asked to rate their familiarity with Charitable Choice, and, as expected, the large majority reported being “not at all familiar” (73 percent) or “only vaguely familiar” (13 percent). Given this low level of familiarity, respondents were given a brief description of Charitable Choice policies and the definition of “faith-based organizations” as “churches and other religious organizations.” Respondents’ support for Charitable Choice was then measured by their response to a statement summarizing its basic intent rather than a more direct measure using the phrase “Charitable Choice”:

Faith-based organizations should be able to compete for government funds without having to give up their religious beliefs.

Responses to the item were given using a 5-point scale ranging from “completely agree” to “completely disagree.” To simplify data analysis and interpretation, the 5-point scale was dichotomized into “agree” (responses 1 and 2) and “do not agree” (responses 3, 4, and 5).

The Georgia Poll included a variety of questions related to the respondent’s religious, political, and demographic characteristics. For purposes of our analysis, we used frequency of religious service attendance as a measure of religiosity, with respondents categorized as either frequent attendees (2-3 times per month or more) or infrequent attendees (less than 2-3 times per month). The other variables chosen for our analysis included respondents’ political party identification, highest education level attained, age, sex, race, and income.

In order to investigate public funding effects on private charitable giving, respondents

were asked whether they had made a charitable contribution to a faith-based organization in the past. To those individuals who had given to FBOs in the past,³ we asked:

If faith-based organizations started receiving government funds to provide social services, do you think you would give more, less, or about the same?

Findings

Who supports Charitable Choice?

Nearly two-thirds of the respondents in our survey agreed that FBOs should be able to compete for government funds without giving up their religious character. The distributions of responses for this question and for the various socio-demographic characteristics of the respondents are summarized in Table 1.

TABLE 1 ABOUT HERE

We report simple crosstabulations and corresponding Chi-squared tests as a first step in examining relationships between Charitable Choice support and demographic characteristics. These results are presented in Table 2.

TABLE 2 ABOUT HERE

Frequency of religious service attendance, race, and educational level all demonstrate a statistically significant relationship with Charitable Choice support. The highest levels of support were reported by frequent religious service attendees and respondents with a high school education or less, each with just over 70 percent indicating their support. While the relationship between race and Charitable Choice support is statistically significant, black and white respondents reported very similar levels of support, with respondents of other races reporting less support. The lack of a black/white difference is noteworthy, but the lower level of support among other races is of dubious substantive significance given the low number of respondents in this category (n = 40). No statistically significant bivariate relationship was found between

Charitable Choice support and political party affiliation, income, sex, or age.

While these bivariate findings provide important descriptions of those who are more likely to support Charitable Choice, a multivariate approach is necessary to estimate the direct effects of individual characteristics on Charitable Choice support and to assess the relative importance of the effects. The results of a binary logistic regression of Charitable Choice support on the set of individual characteristics are presented in Table 3.⁴

TABLE 3 ABOUT HERE

The logistic regression coefficients were fully standardized using the procedure recommended by Menard (2002, p. 51-56) to permit comparison of the relative importance of the independent variables. Frequent church attendance emerges as the strongest predictor of Charitable Choice support. The effects of race and education are consistent with the bivariate analysis, and age gains statistical significance in the multivariate analysis, with adults under the age of 30 being most supportive of Charitable Choice. Again, neither political party affiliation nor sex is statistically significant in predicting Charitable Choice support.

What effect might government funding of FBOs have on individual charitable giving to FBOs?

As summarized in Table 4, the potential effect of government funding on private giving to FBOs appears to be minimal, with almost three-fourths of respondents who give to FBOs saying their giving would stay about the same if FBOs started receiving government funds. Of those who say their giving would change, over two-thirds say their giving would increase.

TABLE 4 ABOUT HERE

These anticipated changes in giving appear to be only partially driven by individuals' support for Charitable Choice. Nearly the same proportion of those who agree and do not agree with Charitable Choice say their giving to FBOs would increase if FBOs received government

funds. Those who do not agree with Charitable Choice, however, are much more likely to say their giving would decrease. These findings are presented in Table 5.

TABLE 5 ABOUT HERE

Conclusions

Our findings of higher levels of Charitable Choice support among those who are more religious, younger, and less educated are consistent with the findings of previous studies. Given the partisan and race-oriented nature of much of the commentary surrounding Charitable Choice, however, perhaps our most startling findings are the lack of significant differences by political party affiliation or between blacks and whites in support for Charitable Choice.

Why might Charitable Choice support transcend partisan politics and race? Two plausible explanations come easily. First, in making a connection between political party and Charitable Choice, the history of the policy may be more salient in the public mind than current commentary; both major parties claim 1996 welfare reform, which included the original Charitable Choice provision, as a success, and Gore and Bush both praised Charitable Choice and promised its expansion during their 2000 presidential campaigns. Second, as for the relationship between support for the policy and race, it may be unclear to the public how the relationship “should” work: Charitable Choice has been presented as both a victory for the beneficiaries of social welfare programs, who are disproportionately racial minorities, and as a step toward the (white, wealthy) government’s abdication of responsibility for social welfare.

Both explanations assume that the public takes its cue from race and/or political party affiliation in determining their stance toward Charitable Choice, as does much of the conventional wisdom espoused in recent commentary. The strongest predictor of Charitable Choice support identified in this study, though, casts doubt on this assumption. It is not that

ambiguous cues from political party and race have left the public lacking a footing for staking their position on Charitable Choice; religiosity, in this study suggested by frequency of religious service attendance, emerges in our study as the most important driver in determining support for Charitable Choice. As demonstrated in both the bivariate and multivariate findings, those who attend religious services frequently (and, presumably, those for whom religion holds more personal importance) are far more likely to support Charitable Choice than those who do not attend services frequently.

Overall, we find that a majority of people surveyed are in favor of Charitable Choice. Is this because they are in favor of more resources being devoted to faith-based social service provision, or is it because they wish to substitute government funds for their own private donations to these causes? Respondents to our survey show a remarkable inertia when it comes to any anticipated change in personal giving in response to increased government funding of FBOs, with a large majority anticipating that government funding would have no effect on their level of giving to FBOs. And of those that anticipate a change in the amount of their giving, more than twice as many anticipate giving more rather than less. Do these results herald a net “crowding-in” effect of private dollars? Not necessarily. Our results asked respondents only the direction of change; we did not attempt the dubious task of asking respondents to estimate the magnitude of their anticipated changes in giving. At a minimum, though, our findings provide a pause in the drumbeat of commentary that suggests a crowding out of private dollars in response to increased public funding for FBOs.

This study’s key findings, that Charitable Choice support is most strongly related to religious service attendance and that most financial supporters of FBOs would not change their giving behavior in the wake of increased government funding of FBOs, both point to the

centrality of religious faith in shaping the attitudes of the public toward Charitable Choice. This is a clear implication of the multivariate model of support, but it is also suggested by the large majority whose giving to FBOs would not be altered by Charitable Choice, which suggests that giving to FBOs is driven more by religious convictions than by the market forces hypothesized in the crowding-out literature. “Faith-based” organizations, it appears, are well positioned to benefit from both “faith-based” public support for Charitable Choice and “faith-based” private philanthropy.

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Table 1. Frequencies for Charitable Choice support and individual characteristics

Dependent variable

Faith-based organizations should be able to compete for government funds without having to give up their religious beliefs.	Agree	65.3%
	Do not agree	34.7

Independent variables

Frequency of religious service attendance	Sex		
2-3 times/mo. or more	Female	61.8%	50.9%
Less than 2-3 times/mo.	Male	34.3	49.1
Age	Highest education level		
18-29	Less than high school	31.0%	10.4%
30-44	High school	34.2	27.7
45-64	Some college	23.0	28.5
65+	College or more	11.8	33.4
Race	Annual income		
Black	< \$25,000	27.4%	27.3%
White	\$25,000-49,999	65.8	39.2
Other	\$50,000+	6.8	33.5
Political party affiliation			
Democrat		44.0%	
Republican		26.3	
Independent or other		29.7	

Note: Maximum N = 786; N is smaller for some items due to nonresponse

Table 2. Charitable Choice support and individual characteristics

Agreement with Charitable Choice	Observed frequencies				χ^2 (df)	Sig.
Frequency of religious service attendance						
	2-3 times a month or more	Less than 2-3 times a month				
Agree	71.4%	57.1%		13.13 (1)	.00	
Do not agree	28.6	42.9				
Sex						
	Female	Male				
Agree	65.0%	67.0%		.59 (1)	.62	
Do not agree	35.0	33.0				
Political party affiliation						
	Republican	Democrat	Independent			
Agree	65.0%	63.6%	68.8%		1.18 (2)	.55
Do not agree	35.0	36.4	31.2			
Race						
	White	Black	Other			
Agree	66.8%	68.8%	47.5%		6.83 (2)	.03
Do not agree	33.2	31.2	52.5			
Annual income						
	< \$25,000	\$25,000-49,999	\$50,000+			
Agree	65.7%	65.5%	62.8%		.28 (2)	.87
Do not agree	34.3	34.5	37.2			
Highest educational level attained						
	High school or less	Some college	College or more			
Agree	71.8%	61.9%	62.6%		5.9 (2)	.05
Do not agree	28.2	38.1	37.4			
Age						
	18-29	30-44	45-64	65+		
Agree	71.0%	61.6%	68.2%	65.2%	4.26 (3)	.24
Do not agree	29.0	38.4	31.8	34.8		

Note: Maximum N = 786; N is smaller for some crosstabulations due to nonresponse

Table 3. Logistic regression of agreement with Charitable Choice (agree = 1)

Independent variables	B	Standardized B	S.E.	Wald statistic	Sig.	Joint sig.*
Sex (reference: male)						.13
Female	-.29	-2.57	.19	2.35	.13	
Race (reference: white)						.00
Black	.02	0.16	.23	.01	.94	
Other race	-.69	-3.07	.39	3.18	.07	
Highest education level (reference: HS or less)						.06
Some college	-.55	-4.40	.23	5.68	.02	
College degree or higher	-.27	-2.26	.23	1.32	.25	
Political party (reference: independent/other)						.17
Democrat	-.39	-3.31	.23	2.93	.09	
Republican	-.37	-2.68	.26	2.03	.15	
Church attendance (reference: < 2-3 times/mo)						.00
2-3 times/month or more	.90	7.63	.20	19.34	.00	
Age (reference: 18-29)						.00
30-44	-.60	-5.04	.25	5.93	.02	
45-64	-.42	-3.13	.27	2.37	.12	
65+	-.73	-4.17	.35	4.47	.03	
Constant	1.24	-	.28	20.17	.00	
% Agree correctly predicted	94.3			Model χ^2	33.23	
% Do not agree correctly predicted	12.8			df	11	
Total % correctly predicted	67.4			Significance	.00	

Note: Cases excluded pairwise, model N = 600

*Achieving joint statistical significance is required for categorical variables treated as multiple dummy variables to be considered statistically significant, regardless of the p-values for the individual dummy variables (Menard, 2002). (For categorical variables with only two categories, the joint significance is the same as the significance level for the category included in the model.)

Table 4. Potential effect of government funding on private giving

If faith-based organizations started receiving government funds to provide social services, do you think you would give . . .

More	17.8%
Less	8.2
About the same	73.9

Note: Subsample of those who reported contributing to a FBO, n = 519

Table 5. Charitable Choice support and anticipated changes in private giving

		Agreement with Charitable Choice	
		Agree	Do not agree
If faith-based organizations started receiving government funds to provide social services, do you think you would give . . .	More	18.5%	18.6%
	Less	3.7	15.0
	About the same	77.8	66.5
	χ^2	21.678	
	df	2	
	Sig.	.000	

Note: Subsample of those who reported contributing to a FBO, n = 519

¹ <http://www.whitehouse.gov/news/reports/faithbased.html>, accessed on 12/5/2002.

² The response rate was 35 percent, and the percentages reported have a margin of error of approximately ± 3.5 percent at the 95 percent confidence level.

³ It is also important to investigate how public funding to faith-based organizations would affect the charitable giving behaviors of individuals that have not given to FBOs in the past, however, this question is beyond the scope of the present study.

⁴ The reported regression model omits income as an independent variable because of its collinearity with education, age, and race. Income was included in an alternative model, but was found to be insignificant.