

## Funding for Faith-Based Higher Education

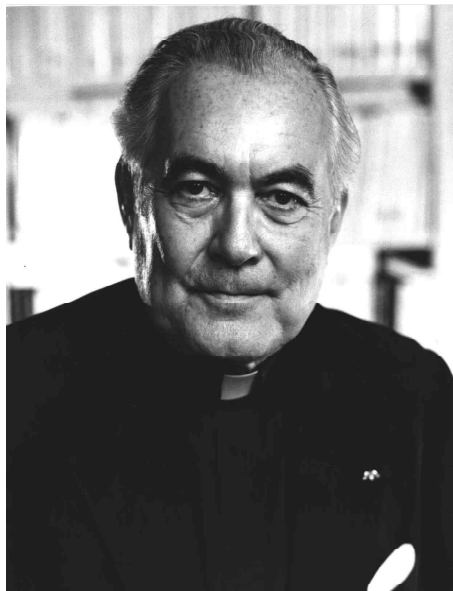
*Lessons for the Bush Administration's Faith-Based Initiative*

by Patrick J. Reilly

*Summary: Leaders of Congress appear to be reaching agreement on legislation enacting President George W. Bush's "faith-based initiative." Most Americans applaud the President's effort to remove government regulatory obstacles that keep religious charities from serving the needy. But many still worry about what will happen if the faithful accept government money. Will government grants create dependency and impair the effectiveness of faith-based charities? Will grants entice charities to accept restrictions, encourage them to cut their church ties or alter their policies? Charity leaders and the Bush administration might do well to study the history of faith-based colleges in the U.S. Over the past several decades many of them have become more secular and increasingly dependent on federal funding. Of course, institutions of higher education are not the same as faith-based charities, but a review of how colleges have changed may offer some guidance for charity leaders and policymakers.*

**M**ost American colleges in the 19th century were faith-based institutions. Faculties were dominated by clergy and pursued a religious mission often stated in such terms as "securing the means of Education to young men within our bounds of hopeful talents and piety, preparatory to the Gospel ministry" (1845 mission statement of North Carolina's Davidson College).

But the religious identity of many pri-



Rev. Theodore Hesburgh. As president of Notre Dame, he loosened its ties to the Catholic Church hierarchy.

vate colleges eroded over time. For many faith-based colleges, the turbulent decades of the 1960s and 1970s were a major turning point: colleges began to lose their religious mission at the same time as government increased funding for higher education. Government funding had nothing to do with the earlier secularization of institutions like Dartmouth (Congregationalist) and Princeton (Presbyterian). Indeed, as early as the 18th century Harvard College began to distance its academic programs from its Puritan heritage. But for many Christian colleges—and nearly all faith-based colleges in the U.S. have Chris-

tian roots—the combined effect of more government funding and Supreme Court rulings on how those funds could be used seemed to encourage colleges to pull away from their church sponsors.

Because many faculty and administrators of faith-based colleges were already predisposed to secularize their institutions, it is not at all clear that government funding alone is responsible for their loss of religious identity. But as the Bush administration works with faith-based charities to implement new policies, both would do well to consider the history of faith-based colleges.

Here are some points the Administration should consider.

- Policymakers and charity leaders should recognize that fear of possible government funding restrictions can have a secularizing effect on faith-based organizations. In the 1960s and 1970s, many leaders of faith-based colleges took radical

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steps to strip their institutions of religious significance because they were afraid of Supreme Court decisions on church-state issues. It is now apparent that they exaggerated the scope of the Court's rulings, but the fear factor of perceived government hostility to openly religious practice led many colleges to take independent steps that had a secularizing effect. The same doubts pervade the debate over the faith-based initiative. Without aggressive outreach efforts to educate faith-based charities that they are free to proclaim their religious identity, federal funding may cause charities to misinterpret new government policies and voluntarily curtail acceptable religious practices.

- These days federal courts increasingly prevent discrimination against faith-based recipients of government funds. However, some judges still apply the kinds of legal reasoning that requires government officials to decide whether a charity receiving a government grant is "too religious" (or "pervasively sectarian" to use the Supreme Court's phrase in its 1971 *Lemon v. Kurtzman* decision.) The "pervasively sectarian" test has inspired great fear of government among faith-based colleges. Faith-based charities need to be

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assured that courts and policymakers will establish a new balance between the Establishment Clause and the Free Exercise Clause of the First Amendment that does not rely on this test.

- Those who have tried to strengthen the religious identity of nominally-religious colleges are fearful that their work could be made more difficult by proposed changes to civil rights laws (e.g., those regarding homosexual rights or women's rights to family planning subsidies) and some equal employment statutes (e.g., those curtailing hiring preferences for clergy or co-religionists of their church). Faith-based charities need to be aware of this. The Bush administration was embarrassed by the disclosure that it met with Salvation Army officials to discuss whether the Army's hiring policies would be compromised by the acceptance of government funding. But such discussions are necessary to ensure that outside interests do not use the faith-based initiative to force charities to change the policies that make them effective.

- Policymakers should rely more on indirect forms of funding to faith-based charities. The experience of faith-based colleges with government support for student tuition—especially through federally-insured loans—suggests that this kind of support rarely leads to the secularizing of an institution's mission. Government agencies and courts don't have to consider whether an organization's activities are secular or religious when they authorize funding for individuals, and Congress is less likely to impose onerous tests on individual aid recipients at the behest of special interests. The experience of higher education shows that college loan programs have helped individual students (although their rapid expansion also increased student debt and helped turn education funding into an entitlement program). Similarly, the Bush administration should look for ways to provide indirect assistance to faith-based charities, such as vouchers based on demonstrated need.

- The Bush administration should encourage private foundations to support the work of faith-based charities, espe-

cially small community-based charities likely to be overlooked by federal grantmakers. Too many private and corporate foundations ban or restrict funding to openly religious organizations. (See Patrick Reilly, "Corporate Giving to Faith-Based Charities," *Foundation Watch*, September 2001.) Private support for faith-based organizations can reduce or eliminate the need for government assistance. There would be far more diversity and freedom in American higher education today had leading private foundations in the early 20th century not discriminated against small faith-based colleges, forcing them to look for government funding. The same is true for faith-based charities.

- Ultimately, the leaders and sponsors of faith-based charities bear the responsibility for preserving and protecting the religious mission of their organizations. The record shows that many leaders of faith-based colleges walked down the road to secularization in the 1960s and 1970s, not because they faced a legal mandate, but because they wanted to change the character of their institution or because they wanted to make absolutely sure that they were eligible for government funds that they voluntarily sought. The leaders and sponsors of faith-based charities today must be vigilant. They must vigorously defend their religious identity if they seek government funding. Similarly, the Bush administration must help charities understand their rights if they hope to ensure the success of the President's faith-based initiative.

## **A Short History of Government Education Funding**

Faith-based colleges have a history of dealing with government funding issues that is far more extensive than most other faith-based nonprofits in the United States. This experience offers many lessons that faith-based charities need to consider.

State government funding for private colleges was sporadic for most of American history and federal funding didn't become significant until World War II. But during the war, the federal government began funding campus scientific research that had military implications. The money

made available to both faith-based and secular colleges influenced research topics and encouraged many colleges to expand their science departments. This was sometimes controversial at faith-based schools which traditionally emphasized the humanities.

During these years the federal government had few goals for higher education other than promoting military research and educating war veterans. As late as 1961, President John F. Kennedy argued in a report of the Presidential Commission on National Goals that federal involvement in higher education should be “selective, stimulative, and, where possible, transitional.” The primary beneficiaries of this limited funding were large research universities; smaller private colleges only garnered about one-third of federal funds in 1960.

However, some of the larger faith-based institutions benefited substantially. Between 1958 and 1966, government funds to the University of Notre Dame – one of the largest and oldest Catholic colleges in the U.S. – increased from \$924,100 to \$5.1 million. Notre Dame president Rev. J. Hugh O’Donnell, C.S.C., was a member of the federal committee that established the National Science Foundation (NSF). O’Donnell’s experiences led him to tell critics of federal funding for education that NSF appropriations were a forgivable “sin... in view of the good which it may do.”

Soon smaller colleges were enjoying increases in federal support. The Higher Education Facilities Act of 1963 created the first federal program offering significant funding to all colleges and universities, including religious and liberal arts institutions. They used its funds primarily for foreign language laboratories, a service much in demand during the Cold War.

Even more federal money went to faith-based colleges and universities through student aid programs. Much of it was funneled to them indirectly through student tuition payments that were subsidized by federal grants or insured low-rate loans.

Federal aid for students at faith-based colleges began with the 1944 “G.I. Bill” which did not discriminate among institutions. The Higher Education Acts of 1965 and 1972 expanded eligibility to most students. By 1980, federal student aid amounted to about \$10 billion, enabling 12 million students to attend college (up from three million in 1960). The popularity of student aid spawned eight federal programs: Basic Education Opportunity Grants (later called Pell grants), Supplementary Educational Opportunity Grants, National Direct Student Loans, federally insured student loans, State Student Incentive Grants, College Work-Study

named after the bill’s author. Following the state constitution’s Blaine Amendment, the law forbade giving public funds to institutions that served “sectarian” purposes. This forced faith-based colleges to demonstrate that they were “primarily an institution of higher education” and not a “religious institution,” as if the two were mutually exclusive. Bundy funds could go to New York colleges with a religious identity or background, but the law’s vague definition of a “sectarian” college prompted many faith-based colleges to sever formal church ties and remove religious art from their buildings. They quickly changed their governing

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*The Bush Administration must convince faith-based charities that their mission will not be endangered by federal support. It must take swift action to defend charities if Congress or the courts abandon neutrality. These measures are the cornerstones for an effective federal partnership with the religious community.*

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grants, Veterans’ Education benefits and Social Security for recipients’ children.

Many states were providing some funds to faith-based colleges, but in the 1960s and 1970s massive state funding for public colleges and universities dramatically changed the landscape of higher education. In 1960 almost equal numbers of students attended public and private institutions, but by 1970 the public-private ratio was more than two to one. By 1980, the ratio was four to one. State aid to private colleges steadily declined in proportion to public college funding, and many states restricted aid to faith-based institutions. The competition with public colleges increased the pressure on faith-based colleges to seek federal and private support.

Faith-based colleges nationwide were particularly influenced by a 1968 New York State law approving public funds for private colleges—so-called “Bundy money”

boards of trustees so that lay people, not clergy, predominated. New York’s example led many other faith-based colleges nationwide to take similar steps. Their fear – sometimes justified, but often without a clear legal mandate – was that they too could face similar restrictions.

Government funding for education has grown tremendously since the 1970s. In general, state restrictions on funding to faith-based colleges represent the only significant instance where the law on government funding still discriminates against faith-based institutions. But state funding to private colleges is of much less budgetary significance than federal student aid. No restrictions on faith-based colleges exist in federal law, except for certain exclusions on funding seminaries and divinity schools, common requirements that federal grants be used for secular purposes, and the potential that civil rights and equal employment rulings can have an impact on college admissions and hiring policies.

# Foundation Watch

## The Role of Foundations

There is a second reason why small faith-based, liberal arts colleges looked more and more to federal government funding: They could not get private foundation grants. As smaller colleges struggled to meet the demands of a growing student population that doubled during the 1920s and then exploded after World War II, large research universities grew rapidly with the help of foundation philanthropy.

The Carnegie Foundation for the Advancement of Teaching, founded in 1905, was one of the earliest major funders of higher education. Andrew Carnegie had wanted to support the faculties of small religious colleges. But Henry Smith

leges. The foundation's bias would continue largely unchecked until the 1970s, when Carnegie Foundation reports began to express alarm at the lack of diversity among American colleges, a problem the foundation had helped create.

Other early foundations like the Rockefeller General Education Fund also favored large research universities. Only a few faith-based colleges, including the University of Notre Dame, successfully applied for Rockefeller grants in the early 1900s.

Discrimination against faith-based colleges continued into the 1950s, limiting their access to foundation grant money.

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Pritchett, the foundation's first president and president of the Massachusetts Institute of Technology, decided to exclude public and church-sponsored institutions because they already had external sources of income. The foundation identified more than 200 religious colleges but identified only 51 that it considered nondenominational. To get Carnegie money, many faith-based colleges had to sever their church ties: Dickinson College officially separated from the Methodist Church, the Presbyterian Church distanced itself from several colleges, and Goucher and Bowdoin trustees declared their colleges nonsectarian.

Under Pritchett, the Carnegie Foundation helped standardize higher education on the model of the large research university. It even tried to cut off state funding for all schools that were not state-owned, thus giving private research universities a big advantage over small col-

leges. College officials organized higher education associations that grouped small colleges with large universities, in part, to secure more funding. But influential associations like New York's Empire State Foundation for Liberal Arts Colleges refused to admit church-sponsored schools.

A breakthrough came in 1956. That's when the Ford Foundation included 23 Catholic colleges in its grant program to subsidize faculty salaries. But a subsequent Danforth Commission study reported that as late as 1966, as government funding was greatly expanding college budgets, faith-based colleges were only just beginning to develop fundraising programs targeting foundation philanthropy. By the end of the decade many colleges were installing lay boards of trustees in their quest for private and government funds.

## Court Challenges to Religious Identity

While federal laws on higher education funding do not discriminate against faith-based colleges, there were plenty of court rulings in the 1960s and 1970s that raised red flags, suggesting that government funding might be cut off if church-state "entanglement" could be demonstrated. Colleges overreacted: In their anxiety to protect their government aid, they downplayed their religious identities and made decisions to end their formal affiliation to religious bodies. But the flawed church-state rulings of this period have not stood the test of time. The most recent court rulings show that federal courts will support government funding for faith-based institutions.

Confusion about which colleges were eligible for what government funding began after the Supreme Court declined to review a 1966 Maryland Court of Appeals decision in *Horace Mann League v. Board of Public Works of Maryland*. The State Appeals Court ruled that three institutions – the College of Notre Dame of Maryland (Catholic), St. Joseph's College of Emmitsburg (Catholic), and Western Maryland College (Methodist) – were too sectarian under the state constitution and therefore ineligible for state construction grants. College leaders began to fear similar discrimination against overtly religious colleges in other states and at the federal level.

These fears were exacerbated by a 1971 Supreme Court ruling in *Tilton v. Richardson*. The court upheld federal grants to four Catholic colleges in Connecticut – Albertus Magnus College, Annhurst College, Fairfield University and Sacred Heart University – but it based its ruling on the "pervasively sectarian" test introduced in the Court's *Lemon v. Kurtzman* decision the same year. Under that standard, which requires courts to determine whether funding recipients are so religious that government aid is equivalent to the establishment of religion, the Supreme Court ruled that eligible colleges must have a "predominant higher education mission... to provide their students with a secular education." The Connecti-

cut colleges were eligible for funding because they accepted non-Catholic students and faculty, did not seek to indoctrinate students, and did not require attendance at religious services. But the Court did not offer a clear profile of a “pervasively sectarian” college, allowing much room for varying interpretations in lower courts and among attorneys advising faith-based colleges.

A 1976 Supreme Court case, *Roemer v. Board of Public Works*, could have settled the matter, but didn’t. The Supreme Court upheld Maryland state grants to the three colleges in the *Horace Mann* case and Loyola College (Catholic) and Mount Saint Mary’s College (Catholic)—even though Baltimore’s Catholic archbishop served as a trustee of Mount Saint Mary’s College and the Catholic colleges offered “preferential hiring” to clergy. Leaders of faith-based colleges should have been celebrating their eligibility for government funding despite the “pervasively sectarian” standard. Yet many believed the Court ruled in their favor only because they had undertaken drastic measures after the *Horace Mann* and *Tilton* decisions – including setting up lay boards of trustees and formally separating themselves from church sponsors and religious communities. They were unwill-

*the Roemer case, seem to object to sponsoring church representation on college governing boards. Yet such representation is normally all that a church might require to ensure that a school it sponsors remains authentic from the point of view, for example, of the theology taught there.*”

In the years since *Roemer*, the U.S. Supreme Court has affirmed the legality of government funding for faith-based colleges on many occasions. In recent rulings, four of the nine justices even seem ready to jettison the “pervasively sectarian” standard altogether. A majority of the Court treats faith-based colleges as the equal to other institutions. In *Rosenberger v. Rector and Visitors of the University of Virginia* (1995), the Court allowed public funding for a Christian student publication because the funding program demonstrated “neutrality towards religion.” In *Mitchell v. Helms* (2000), the Court majority allowed the use of federal aid at religious elementary and secondary schools. A four-member plurality also criticized the “pervasively sectarian” standard and instead would have simply required federal programs to demonstrate “neutrality” when conferring benefits on sectarian and secular schools.

which is controlled by the Seventh-Day Adventists and gives preference to church members in admissions and hiring, was ruled eligible for funding. The case demonstrated that although the “pervasively sectarian” test survives, federal courts are unlikely to restrict program funding for most faith-based colleges.

Nevertheless, some lower courts and state courts continue to discriminate against faith-based institutions. They rely on a strict application of the “pervasively sectarian” test that is unlikely to withstand appeal.

- For instance, in *Steele v. Industrial Development Board of Metropolitan Government of Nashville and Davidson County* (2000), a U.S. district court in Tennessee ruled that Lipscomb University, affiliated with the Church of Christ, is “pervasively sectarian” and cannot issue tax-exempt bonds. Similarly, a Washington State court barred state grants to students at faith-based colleges in *Gallway v. Grimm* (1999). The Washington State Supreme Court took up an appeal in June 2001 but has yet to rule.

- In *Habel v. IDA of Lynchburg* (1991), the Virginia Supreme Court ruled that Liberty University, founded by Rev. Jerry Falwell, could not participate in the state’s conduit bond financing program. But the effect of that ruling was reversed by the Virginia Supreme Court in *Virginia College Building Authority v. Barry Lynn, et al.* (2000), which found that Rev. Pat Robertson’s Regent University was not “pervasively sectarian.” Unfortunately, the reversal came too late: Liberty University had already eliminated required chapel service, dropped a mandatory student statement of faith, and cut its formal church ties.

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ing to trust legal experts who believed the *Roemer* decision allowed far more room for church sponsorship of faith-based colleges. Says court observer Kenneth Whitehead:

*“[N]either the accrediting agencies nor the Supreme Court, as evidenced by*

Perhaps the most promising federal case is *Columbia Union College v. Oliver* (2000). By declining to review the case, the Supreme Court forced Maryland’s federal district court to determine whether Columbia Union College could receive Maryland state funds using a very limited definition of “pervasively sectarian.” The college,

## Money’s Influence

The argument for federal government funding for all colleges was made explicit in 1961, when Theodore Distler, president of the Association of American Colleges, announced that “the needs of higher education cannot be met without greatly increased contributions from public and particularly federal funds, as well as those from private philanthropy.”

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Distler had previously argued against accepting government subsidies. But as president of Pennsylvania's Franklin and Marshall College from 1941 to 1955, his experiences must have influenced that 1961 speech. During World War II, he was forced to reckon with the college's declining enrollments and severe financial problems. F&M's website celebrates Distler for keeping the college afloat by attracting government funding from a military program called V-5/V-12 that trained aviation cadets and naval officers on 131 college campuses. After World War II, F&M cut its longstanding ties to the German Reformed Church and became a secular liberal arts college.

College leaders like Distler sought institutional "independence" from religious authorities. With small endowments and exploding enrollments, colleges after World War II looked more and more to government and foundation sources to help them expand their faculties and facilities and increase their emphasis on science and professional programs. As academic programs became more specialized, philosophy and theology programs were shunted to the margins.

Federal court rulings on government funding for faith-based colleges heightened the fear that being labeled "pervasively sectarian" would cost colleges government support and foundation grants. But was secularizing faith-based colleges entirely caused by the lure of government funding?

## Causes of Secularization

No college president has ever claimed to have more than enough money. In the 19th century, one scholar notes, college leaders frequently complained that "the patronage of the churches was often stingy, and their chosen trustees were sometimes there more to be humored than to help." But faith-based colleges were estranged from sponsoring churches for reasons beyond meager levels of financial support. At the outset of the 20th century, when the Carnegie Foundation for the Advancement of Teaching questioned colleges about their religious identity, most faith-based colleges replied that their

church relationship did not improve their organization, intellectual life or even religious life.

In *The Dying of the Light*, one of the best studies of secularization at Christian colleges, Rev. James Burtchaell, C.S.C. explains that most faith-based colleges before the 20th century preserved their Christian identity through formal church ties and the ardent faith of their faculty. But that identity was rarely well-defined and not convincingly integrated with the colleges' educational operations. Colleges began to delegate responsibility for student behavior and morality to college chaplains, and Bible study and serious theology were pushed into small departments and seminaries.

By the 1960s church sponsorship seemed to have lost all "relevance": religious authority was ridiculed, low-salaried clergy abandoned their vocations, and religious employees sought out new careers. When New York's Hartwick College separated from the Lutheran Church in 1968, less than one-fifth of its students were Lutheran and the church's financial contribution was 1.17 percent of the college's operating costs.

Even sponsoring churches didn't oppose secularization. One observer claims that no American bishop from 1967 to 1974 objected to the transfer of Catholic college property to independent boards of trustees. College administrators were quick to take advantage of the loosening ties and embraced secular models of funding and governance.

New York's Manhattanville College renounced its religious identity and declared itself "secular" in 1968, becoming one of the first three Catholic colleges to accept "Bundy money." Alumni accused the college of selling out for government money, but president Mother Elizabeth McCormack, R.S.C.J., argued that secularization was part of an effort to secure more academic respect.

Catholic colleges in the 1960s were eager to dispel their reputation as schools of an anti-intellectual immigrant church. In

the 1967 Land of Lakes Statement, 26 scholars and officials from nine major Catholic universities declared: "The Catholic university must have a true autonomy and academic freedom in the face of authority of whatever kind, lay or clerical, external to the academic community itself."

Explaining his reason for transferring Notre Dame to a board of trustees in 1967, president Rev. Theodore Hesburgh, C.S.C., said, "I knew that if I were going to see Notre Dame grow into a first-rate Catholic university, I could no longer have to get permission from a Provincial [of the sponsoring Holy Cross Fathers] every time I needed a new lawn mower."

The Jesuits played a crucial role in supporting the transfer of college property to boards of trustees. Their magazine *America* argued in 1967 that separating colleges from their religious order would better "Catholicize" them by encouraging "the sharing of responsibilities that ought to characterize the People of God." In another 1967 article in *America*, Rev. Neil McCluskey, S.J. said the search for money was not why Catholic colleges needed to shed church authority: "A blank check... would not solve problems like the dominance of religious orders, reliance on old-world traditions, amateurish administration, short-sighted financial policies, confusion between pastoral and academic areas, insulation from the mainstream of contemporary thought, lack of definition of purpose."

Leaders of other Christian colleges shared this view. Liberal Protestants who believed their colleges should put "democracy and service to the nation first" were eager to tailor faculty departments and research to the practical needs of government and society to the detriment of theology and the liberal arts. Some mistakenly thought this would make their colleges only nonsectarian but not secular. Separating from church authority was described as "a liberating force for higher education, freeing the institution to examine all facets of its world in the light of a God-centered theology and to take responsibility for personal and institutional stewardship in all areas of man's exist-

ence.”

With such high aspirations, federal funding may have been no more than a secondary reason why Christian colleges chose to pull away from their religious moorings. Observes Robert Andringa, president of the Council of Christian Colleges and Universities, “I think it was a variety of influences: cultural, the guilds, wanting to ‘be accepted’ in the mainstream, boards who were asleep at the switch or didn’t care, major donors other than the federal government, etc.”

## Government Funding vs. Religious Identity?

So the crosses left the classroom. The perception that faith-based colleges had to break with their church sponsors in order to get public funding was clearly a factor in their eventual secularization. But it was not the reason why religious authority was abandoned and religious observance became no more than a personal option on so many college campuses.

Kenneth Whitehead, former Deputy Assistant Secretary for Higher Education Programs in the Reagan administration, has written extensively on faith-based colleges. He concludes that they enjoy the freedom to receive almost unrestricted federal assistance with no controls on their religious identity. Whitehead notes that the higher education statutes do not discriminate against faith-based colleges, except to exclude seminaries and divinity schools from some funding. It’s true that accrediting associations occasionally balk at the practices of some faith-based colleges—and accreditation is required for federal support—but Whitehead argues that the law allows colleges to establish new accrediting associations friendly to their religious missions. The fear still lingers that somewhere an ACLU attorney is convincing a federal judge to bar public support for a faith-based college. But Whitehead observes that the U.S. Supreme Court has upheld the right of faith-based colleges to receive federal aid.

Where Whitehead sees a potential problem is in federal civil rights statutes, which apply to recipients of federal funds.

Although faith-based colleges have not yet had much difficulty with civil rights law, the homosexual-rights movement and efforts to mandate employee health coverage for contraceptives and abortion based on women’s rights portend future struggles for many Christian colleges.

The prospect of losing government funding is minimal for faith-based colleges. But many college administrators and faculty continue to balk at renewing the religious identity of their institutions, especially if it requires deference to church authority. Rev. Charles Curran, a dissident theologian who was removed from the faculty of the Catholic University of America after a long legal battle, wrote this in *Commonweal* magazine in 1986: “[I]f there were no academic freedom and institutional autonomy for Catholic higher education, it might very well be that the court would rule that public funding for Catholic institutions of higher learning is unconstitutional.” Curran sees this as a call for freedom of dissent for Catholic faculty, but it’s really a veiled invitation to government authorities to restrict public funding of faith-based colleges. Instead, the courts have upheld the right of Catholic University to fire Curran to preserve the integrity of its theology department.

Unfortunately, we can’t rely on college presidents to provide consistent leadership. For instance, Rev. Joseph O’Hare, S.J., the president of Fordham University in New York, has been a vocal proponent of Fordham’s continued independence from the Catholic Church. In part, he wants to protect Fordham’s access to “Bundy money.” Yet in 1990 he also approved campus clubs dedicated to advocating sexual freedom and homosexual rights – causes that frequently challenge Catholic teachings – on the grounds of academic freedom and diversity even though he doesn’t expect the university to be neutral on matters of faith. Two years later O’Hare changed his mind. He opposed the approval of activities contrary to Catholic teachings and rejected warnings that enforcing the college’s Catholic identity would arouse government hostility.

Robert Andringa notes that fear of the

unknown and anticipation of government hostility exerts a powerful influence over faith-based colleges who struggle with their religious identity. He says members of his Council of Christian Colleges and Universities don’t appear to have difficulty applying for and receiving federal aid while maintaining a strong religious identity. But he knows that “fear of a problem down the road – strings attached that do not fit our distinct mission – has kept the majority of campuses from applying for funds.”

And therein lies the most valuable lesson for the Bush administration. It must convince faith-based charities that their mission will not be endangered by federal support. It must take swift action to defend charities if Congress or the courts abandon neutrality. These measures are the cornerstones for an effective federal partnership with the religious community.

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# Philanthropy Notes

In early February, Senate negotiators reached a legislative compromise on **President Bush's faith-based charity assistance plan**. The scaled-down plan does not include the “charitable choice” provision which would allow the federal government to fund organizations that have religion-based employment policies. Many in Congress and some religious groups regard “charitable choice” as discriminatory and unconstitutional. Some oppose government funding of groups that impose a religious test, while others worry that religious groups will be forced to accept government mandates if they accept taxpayer funding. The compromise legislation provides financial incentives to boost support for charities that help the poor and disadvantaged. The bill allows taxpayers who do not itemize their deductions to claim a standard deduction of \$400 for individuals and \$800 for couples.

Washington D.C. philanthropist **Catherine B. Reynolds** has withdrawn her planned \$38 million gift to the **Smithsonian Institution** after museum curators and scholars charged it was turning the museum into an extension of corporate America. The gift, announced in May 2001, would have created a 10,000 square foot “Spirit of America” exhibition.” To demonstrate the power of individuals to shape America’s history the exhibit would have featured a “Hall of Achievers” celebrating the lives of prominent Americans like Martin Luther King and AOL Time Warner Chairman Steve Case. Opponents claimed the Smithsonian put its fundraising needs ahead of scholarly integrity. They also objected to the exhibit’s emphasis on the character of individuals instead of on demographic factors and social groups. Said Reynolds, “Apparently, the basic philosophy for the exhibit – ‘the power of the individual to make a difference’ – is the antithesis of that espoused by many within the Smithsonian bureaucracy, which is ‘only movements and institutions make a difference, not individuals.’”

The **Goldman-Sachs Foundation** donated \$1 million to **New American Schools** to provide start-up assistance and operational support for charter schools. The Arlington, Virginia-based New American Schools is a nonprofit organization advocating comprehensive school reform. The group has worked with 70 charter schools in 17 states helping them develop strategic plans and identify funding for start-up operations. Said New American Schools president and CEO Mary Anne Schmitt, “With the generous support of the Goldman-Sachs Foundation, we can take what we have learned and expand our efforts to many more educators and parents.”

Scores of interest groups, corporations and lobbyists want a piece of the \$20 billion Congress promised New York to assist the state’s recovery in the wake of the September 11 attack. Says Jonathan Collegio of **Americans For Tax Reform**, “We have to separate disaster relief and war profiteering. A lot of special interests will try to enact pork-barrel spending disguised as national security and disaster relief expenditures.” One group angling for 9-11 pork is the **National Organization For Women** (NOW). The NOW Legal Defense and Education Fund claims it will use taxpayer funding to highlight the unnoticed activities of female firefighters, police officers and construction workers in these traditionally male-dominated fields. NOW says it would use 9-11 recovery assistance to encourage more women to enter these professions.







# PhilanthropyNotes

On December 4, agents from the FBI and the U.S. Treasury Department raided offices of the **Holy Land Foundation for Relief and Development** and froze its assets after it was revealed the Muslim charity had given extensive funding to Middle East-based terrorist organizations. The Holy Land Foundation, based in Richardson, Texas, raised \$13 million last year and claims to be the largest Muslim charity in the nation. But FBI investigators found evidence that much of the money was raised for **Hamas**, the militant Palestinian group implicated in numerous attacks against Israel. In 1995, the foundation raised \$207,000 for Hamas at an event in which Sheikh Muhammed Siyam, head of operations of the Hamas military wing, gave a virulent anti-Israeli speech. According to the FBI, Siyam told the crowd, “Finish off the Israelis. Kill them all. Exterminate them. No peace ever.” In 1993, Holy Land officials met with Hamas representatives to discuss fund-raising for the families of suicide bombers. In addition, Hamas has donated money to the Holy Land Foundation. Mousa Abu Marzook, identified by Israeli officials as a Hamas political leader, gave the foundation \$210,000. Marzook called Holy Land Foundation Hamas’ main U.S. fund-raising arm.

American-Islamic political groups criticized the federal government’s freezing of the assets of the Holy Land Foundation. In a joint statement, officials from the **American Muslim Alliance**, the **American Muslim Council**, the **Council of American-Islamic Relations** and the **Muslim Public Affairs Council** asked the Bush Administration to reconsider its decision to shut down the Holy Land Foundation despite considerable evidence of its close ties to Middle Eastern terrorists. The groups criticized the freeze as “an unjust and counterproductive move that can only damage America’s credibility in the Muslim world.”

The **September 11th Fund**, established by the United Way and the New York Community Trust to aid the victims of the terror attack, continues to give grants to groups that hardly merit the status of “victims.” The fund, which has raised more than \$300 million, gave nearly \$1 million to the **Mental Health Association of New York** “to augment a citywide crisis database including certified clinicians and increase the capacity of its mental health hotline.” Other mental health organizations received funding for activities that have little relevance to victim relief. The fund gave \$100,000 to **Interfaith Neighbors**, \$75,000 to **Disaster Psychiatry** and \$15,000 to **Healing Works** to provide counseling to social service providers working with victims.

Organizations claiming discrimination in the wake of the terrorist attacks have apparently earned the status of victims. The September 11th Fund gave \$50,000 to the **Immigration Coalition** “to document and inform authorities of bias incidents against members of immigrant groups.” The fund also gave \$60,000 to the **Outreach Arab-American Family Support Center** and \$30,000 to the **Asian-American Legal Defense Fund**. The **Liberty Center** received \$10,000 for “Guyanese immigrants to deal with fear, bias incidents, and concerns of the undocumented.” There is nothing wrong with supporting organizations working against discrimination. But the vast majority of Americans who gave money to the September 11th Fund most likely wanted their money to go to the families of people lost or injured in the attack. The September 11th Fund is seriously undermining its credibility by making such questionable grants.

A study by the **American Association of Fundraising Counsel (AAFRC) Trust for Philanthropy** shows that the September 11 terror attack may not negatively impact charitable giving. The study, “What Do Crises Mean for Giving,” shows that charitable giving almost always increases through war, recession and other traumatic events. The study found that in only one year – 1987 – did giving not increase. That was due to the stock market crash and effects of the 1986 tax reform. The study also showed that charitable giving continues to increase during recessions, but at a slower pace. Over the past 40 years, charitable giving increased at an average annual rate of 7.6 percent, but during recessions it averaged only 5 percent.

