



Nashville, Tennessee  
Associated  
Baptist Press

Editor: Bob Allen  
Executive editor: Greg Warner

Phone: 800.340.6626  
Fax: 904.262.7745  
E-mail: bob@abpnews.com

May 2, 2001

(01-35)

**IN THIS ISSUE:**

- Arizona foundation officials to face criminal charges**
- Religious leaders take sides on 'charitable-choice' plan**
- House of Representatives holds first hearing on 'charitable choice'**

**CORRECTION:** Last week's ABP story, "Accounting firm under fire for alleged foundation fraud," contained a typo in the first sentence. The correct reference is to 13,000 investors. The following sentence also incorrectly identified a state agency involved in the lawsuit. The correct name is Arizona Corporation Commission.

The story below corrects both of those errors and updates information referred to but not reported in the earlier story.

**Arizona foundation officials  
to face criminal charges**

By Bob Allen

PHOENIX (ABP) -- Baptist Foundation of Arizona officials have been ordered to appear in court May 4 to face criminal charges stemming from the largest fraud case involving a religious organization in U.S. history.

Due to secrecy rules governing grand juries, the Arizona Attorney General's Office declined to say who is being charged. Possible charges include fraudulent schemes, theft and illegally conducting an enterprise. That information will be made public at the 1:30 p.m. court appearance in Maricopa County Superior Court, according to information on the Internet.

A letter to 13,000 investors who lost money when the Foundation collapsed two years ago said that most criminal cases are settled through negotiated agreements rather than trial. Some of the defendants may plead guilty May 4 or at subsequent court dates.

The Arizona Republic reported May 1 that William Crotts, the Foundation's former chief executive, has been summoned and will not plead guilty. The paper also reported that up to eight former executives and board members are expected to be charged with crimes carrying penalties of two years to 24 years. At least one defendant reportedly has agreed to cooperate with the state in exchange for pleading guilty to lesser crimes.

Arizona's constitution has a victims' bill of rights, which includes restitution from persons convicted of criminal conduct that causes the victim's loss or injury.

Assets of the Foundation are currently being sold off in order to return investors a portion of their money. A second distribution of about \$12 million mailed April 27 represented about 2 cents on the dollar for each investor. That follows an earlier payment of 3.5 percent in January.

The Foundation declared about \$640 million in debts and \$240 million in assets when it filed bankruptcy in November 1999. Investors are expected to recover between 31 percent and 41 percent of their money over five years as part of a court-ordered restructuring.

The expected criminal charges follow several civil lawsuits against the Foundation and its auditor, Arthur Andersen.

The Arizona Southern Baptist Convention established the Foundation in 1948 for the purpose of raising and managing endowment funds to further Southern Baptist causes.

Court documents allege that the Foundation, an independent agency with trustees elected by the state convention, grew rapidly in the 1980s by offering individual investors a high rate of return and promising that part of the earnings would be used for church work. The Foundation invested heavily in real estate, including some outside the United States. When property values declined, officers allegedly set up a web of about 140 subsidiaries to hide losses through paper transactions that artificially inflated the value of its holdings.

The Foundation allegedly continued to solicit new investors, operating a Ponzi scheme in which funds from new investors were used to pay off old investors. Lawsuits further allege that Arthur Andersen ignored red flags and continued to give the Foundation clean audits, in effect aiding and abetting the fraud.

Betty Campbell of Golden Shores, Ariz., said in an e-mail to Associated Baptist Press that she and her husband, Ernie, lost their life savings of \$700,000 after they renewed their account in March of 1999.

The Campbells had sold a home and wanted to pull their money from the Foundation so it would not all be in one place. She claimed a Foundation representative talked them out of the idea, persuading them to instead roll their investment over with the Foundation. Within five months, their funds were frozen after the Arizona Corporation Commission ordered the Foundation to stop selling bogus securities.

Campbell said the couple had been living off quarterly payments of their Foundation investments and planned to leave the money as an inheritance for their children.

-30-

## **Religious leaders take sides on 'charitable-choice' plan**

By Kenny Byrd

WASHINGTON (ABP) -- As Congress gears for battle over President Bush's plan to offer tax dollars directly to religious organizations that provide social services, both sides worked to marshal clergy into their camp.

More than 850 religious leaders -- including some 200 Baptists -- signed a statement opposing proposed expansion of "charitable-choice" funding, arguing the proposal would undermine laws on civil rights and the separation of church and state.

At the same time, House supporters of the initiative promoted the plan at a summit meeting with nearly 500 religious leaders.

"Faith-based organizations should not be discriminated against simply because they are comprised of people of God," said Rep. J.C. Watts, R-Okla. "They do good work, and we ought to use their talents."

Watts, a sponsor of both the Bush-backed measure and the summit, labeled the closed-door meeting a success.

To some religious leaders, charitable choice is a no-brainer. Faith-based programs have proven to be some of the most effective ways to fight problems such as addiction. Programs that seek to advance a particular religion through such programs, however, don't qualify for government funds that are available to secular service providers.

That's just fine with others, who say religious organizations -- whether effective or not -- should continue to pay their own way.

"It is out of our commitment to the success of such faith-based enterprises that we are writing today to express our serious reservations," said a letter from the Coalition Against Religious Discrimination presented to Democratic House members at a Capitol Hill press conference April 24.

Spearheading the coalition against the faith-based initiative are Americans United for Separation of Church and State, the Baptist Joint Committee, Interfaith Alliance, People For the American Way and the Religious Action Center of Reform Judaism.

In all, 879 religious leaders signed the petition. They included Protestants, Catholics, Jews, Muslims and Hindus, along with representatives of minority religious sects such as Wiccans.

The religious leaders warned that charitable choice would "inject government dollars and bureaucratic oversight" into houses of worship. It would "entangle religions and government in an unprecedented and perilous way," they said, and "undermine the independence" of churches while fostering "unhealthy competition" between religions, the letter stated.

"Charitable choice is a solution in search of a problem," said Rep. Chet Edwards, D-Texas. He said faith-based groups already qualify for federal funds as long as they don't proselytize or discriminate in hiring.

Edwards called religious liberty and church-state separation the "crown jewel" of American democracy. "We tamper with that right at our own peril," he said.

Rep. Jerrold Nadler, D-N.Y., blasted the faith-based summit promoting charitable choice. Nadler maligned some of the guests invited to the summit as "religious bigots."

He mentioned specifically Bishop J. Delano Ellis, who was fired as Cleveland's police chaplain after a delivering a sermon critical of Jews. Ellis backed out of the summit after pressure from civil-liberties groups. Nadler also mentioned NFL star Reggie White for past statements against homosexuality, and Traditional Values Coalition founder Louis Sheldon.

Associated Baptist Press spoke with Sheldon and White during a break in the summit. Both objected to being characterized as bigots.

Most of the summit was closed to the press. When asked outside the meeting room about excluding the media, Watts told ABP the meeting was intended for people working at the grassroots level. "Create your own faith-based organization and you can come," Watts quipped through a closing elevator door. Other religious leaders who are critical of charitable choice, however, also attempted to join the summit but were denied.

Some detailed their objections in a press conference.

Barry Lynn, executive director of Americans United for Separation of Church and State, criticized the summit organized by Watts and other GOP leaders for excluding "not only critics but also traditional religious organizations that have not yet made their mind up about the issue."

Lynn said taxpayers should be nervous about hundreds of people meeting "behind closed doors" to discuss how to spend billions of federal dollars.

Jeffrey Haggray, pastor of Washington's Pennsylvania Avenue Baptist Church, represented both the Baptist Joint Committee and the Progressive National Baptist Convention.

Haggray said financial partnerships between government and religion might "inadvertently relieve the government of its responsibility to provide social services to the poor and needy."

Churches relying on government dollars, meanwhile, might hesitate to criticize their funding source, weakening "the church's capacity to speak power to truth."

Henry Green, pastor of Heritage Baptist Church in Annapolis, Md., called Bush's charitable-choice expansion "presumptuous."

"The federal government is going to 'help us' do our job better?" he asked satirically.

Green said his church delivers bags of groceries to the needy along with a Bible. He said the church does not intend to seek federal funds accompanied by regulations "that would prohibit us from doing the kind of work that we are doing."

Among the 879 religious leaders and clergy signing the petition were Stan Hastey, executive director of the Alliance of Baptists; Mackey Daniels, president of the Progressive National Baptist Convention; Daniel Vestal, coordinator of the Cooperative Baptist Fellowship; and Brent Walker, executive director of the Baptist Joint Committee.

-30-

## **House of Representatives holds first hearing on 'charitable choice'**

By Kenny Byrd

WASHINGTON (ABP) -- Five years after legislating its first "charitable-choice" measure, the House of Representatives for the first time held a hearing devoted specifically to the concept.

Charitable choice, which first became law in a 1996 welfare-reform package signed by President Clinton, has since been attached to numerous spending measures, but before now Congress has not before held hearings on the concept per se.

Expansion of charitable choice is a cornerstone of President Bush's major initiative to fund faith-based providers of social services. Lawmakers at an April 24 committee hearing argued both pro and con.

GOP lawmakers said the initiative would level the playing field for religious groups previously denied government funding. Democrats countered that the plan is unnecessary and would undermine civil-rights laws by allowing tax-funded church organizations to discriminate in hiring based on religious beliefs.

Of the four witnesses called to testify at the hearing, only one opposed charitable choice.

"All too often a friendly pat on the back by Uncle Sam turns into a hostile shove by Big Brother," warned Brent Walker, executive director of the Baptist Joint Committee, a Washington-based religious organization supporting the separation of church and state.

Under charitable choice, Walker said, a Baptist church, for example, could take federal money while hanging a sign "saying no Catholics or Jews need apply to this Baptist-run federally funded facility."

Walker also said majority religions would have an unfair advantage over minority faiths in competing for funds. "It's the Baptist in Birmingham over the Buddhist in Birmingham, who's going to get the money," he said.

A supporter of charitable choice, however, said such measures that have been voted into law thus far are working "so far so good."

Amy Sherman, senior fellow of the Welfare Policy Center at the Hudson Institute, based her testimony on a nine-state survey that indicates collaboration between church and state is plausible.

"Faith-based funding is not for everyone," Sherman acknowledged. "Some lack the necessary administrative capacity for managing government contracts of any significant size. Others, based on their religious doctrines, cannot in good conscience accept government funding."

For many faith-based organizations, however, "collaborating with government may be a fruitful strategy that advances their mission and strengthens their community development projects," she said.

Two witnesses spoke on behalf of faith-based groups that presently use government grants.

Donna Lawrence Jones of Cookman United Methodist Church in Philadelphia, said her church opted not to form a separate organization for social services because it looked unfamiliar to church members who started the program. The church members wanted "to maintain the integrity of the church and wanted ownership of the ministry," she said.

"The government collaboration has increased the level of bureaucracy and paperwork we were used to," Jones said. "For the most part, this has been welcomed," she said. "We have better records than we would have [otherwise]." She joked that one day the government may force her to pay overtime.

Meanwhile, Charles Clingman, executive director of the Jireh Development Corporation in Cincinnati, Ohio, said his group formed a separate nonprofit entity.

Lawmakers posed tough questions throughout the hearing.

Rep. Bobby Scott, D-Va., questioned witnesses about charitable choice's provision that would allow, for the first time since civil-rights laws were enacted in 1964, employment discrimination with tax-funded jobs.

Civil-rights laws exempt churches, permitting them to hire only people who agree with their religious views. Before now, however, churches have not been able to receive tax dollars while enjoying that exemption.

Jones responded to another member of Congress that even if the organization is funded with tax dollars, "persons that are involved in instruction should share the religion of the group they are working for."

Scott said after the hearing: "It has been against the law for more than 40 years. I am surprised that there is not a greater sensitivity to this . that a lot of people seem comfortable with this as if there is something natural about it."

Scott also said that charitable choice would lead to government officials picking "good" and "bad" religions when deciding whom to fund.

Rep. Steve Chabot, R-Ohio, chair of the subcommittee, told ABP that there would be two more hearings on the matter, including one "field hearing," outside of Washington. "When the Bush administration feels it an appropriate time, we will move forward with the legislation," Chabot said.

-30-

**END**

---