

## Church/State Issues and CDBG Eligibility

January 26, 1999

MEMORANDUM FOR: ALL CPD Field Offices

FROM: Cardell Cooper, Assistant Secretary for Community Planning and Development, D

SUBJECT: Church/State Issues and the Determination of CDBG Eligibility

This memorandum is intended to provide further guidance on the application of First Amendment Church/State regulations to the use of Community Development Block Grant assistance. This guidance specifically involves the use of such funds by certain for-profit businesses.

It has come to my attention that some field office have recently been called upon to address HUD/Church State eligibility issues in connection with the use of CDBG assistance to for-profit businesses engaged in the sale of goods or services with religious themes (such as religious bookstores). These businesses are not affiliated with a primarily religious entity or organization. You are advised that, as a general rule, the Church/State requirements at 24 CFR §570.200(j) do not prohibit the provision of CDBG assistance to for-profit businesses. In this regard, the sale of goods with a religious theme by such businesses does not constitute an impermissible religious activity under the CDBG Church/State requirements.

If you are contacted to make a determination on the eligibility of a proposed use of CDBG funds which involves Church/State issues, you should of course continue to apply the requirements at 24 CFR §570.200(j). If you have questions concerning this memorandum, you may contact Nabab Bynum, Director of Field Management, Deirdre Maguire-Zinni, Director of the Entitlement Communities Division, or Steve Johnson, Director of the State and Small Cities Division.