

Church budget-cutting: Prudent planning or excessive anxiety?

April 17, 2009

As the nation's economic crisis seeps further into congregations, budget cuts are the order of the day. But are churches reacting more to fear than facts? The financial pain for churches is real. But evidence is mixed about how much member giving is suffering right now and how widespread—or necessary—budget cutting has become.

If you listen to the conversation between pastors, however, it's clearly the topic on top of their minds.

"I know of one (church finance) committee that wanted to make 33 percent cuts based on computer projections," reported Michael Smith of First Baptist Church of Murfreesboro, Tenn. "Fortunately, cooler heads prevailed, the need was shared with the church, and the need for such a major cut evaporated."

Brother, can you spare a dime? Are churches reacting more to fear than facts during this recession? Evidence is mixed about how much member giving is suffering right now and how widespread—or necessary—budget cutting has become.

The majority of churches contacted for this article—such as Emerywood Baptist in High Point, N.C., and River Road Church, Baptist, in Richmond, Va.—have made significant budget cuts already this year, typically between 5 percent and 10 percent.

Others have cut staff and/or salaries deeply, like Wieuca Road Baptist in the upscale Buckhead area of Atlanta, which made deep 25 percent cuts in ministries and programs in 2008. After giving dropped even further, the budget axe fell on the staff. Three ministers were reduced to part-time, three more had salaries reduced, and a support staffer was terminated. All retirement funding for ministers was halted indefinitely.

But the recent budget slicing, particularly of staff and programs, has some long-time congregational experts worried. They say in some cases, the cuts are more drastic than warranted by the economic realities.

And budget cuts don't happen in a financial vacuum. Particularly when they involve personnel, cuts often come with more serious consequences—staff tension, lost vision, delayed momentum and even despair, conflict and alienation.

Although the economic crisis only recently has come front and center in churches, some observers already see serious unintended consequences surfacing.

"It seems to me there's been an uptick in church conflict because of the economy," said Chris Gambill of the Center for Congregational Health in Winston-Salem, N.C.

"The majority of calls I've gotten since January have been about church conflict. I think that's more than coincidence," said Gambill, interim vice president for the center, which offers consultation to churches and leadership training to clergy of many denominations.

"Whenever anxiety enters the system, there is more conflict. And the conflict often centers around staff." One reason, Gambill said, is that when budget cuts become necessary, "many churches immediately go to personnel, because it's such a large-ticket item."

When church employees are terminated, however, the stakes are higher than in the corporate world.

“The church is a family and, like a family, has many levels of relationships,” said Phill Martin of Dallas, associate executive director of the National Association of Church Business Administration. “A church member may be a family member of an employee and the head of a committee. They may have 20-year friendships they bring to the decision table.”

“The church is an organism, not an organization,” added congregational consultant George Bullard of Columbia, S.C. “What happens to one part of the body happens to all the body.”

When congregations overreact to financial fears, Gambill said, it frequently is triggered by one anxious and influential church member who makes an impassioned appeal to carve up spending. “And sometimes some of the most anxious people get into positions of influence,” Gambill said.

For the last year, there’s been no shortage of bad economic news feeding congregational anxiety. Home sales and the mortgage industry unraveled, as well as construction and, more recently, the banks and stock market.

“I sense a lot of anxiety in this town, which is a banking town—you can feel it in the air,” reported Russ Dean, co-pastor with wife Amy at Park Road Baptist Church in Charlotte, N.C., which is home to troubled Wachovia and Bank of America.

Although the congregation “is directly connected to and affected by the banking economy,” Dean said, Park Road’s drop in giving has been traced to members’ investment losses. The church decision to slash its already downsized 2009 budget another 8.5 percent is “typical for Charlotte churches,” Dean said. But other congregations in town are suffering more, he said. “I know of only one person in Park Road who has lost a job, so to this point we have been very fortunate.”

Hunkered down

Not so fortunate are the parishioners at St. James Episcopal Church in Manhattan, epicenter for the New York's decimated financial sector. Unemployment has set new records, said parish manager John Scibilius, but even those still employed are "hunkered down" and "cutting spending out of fear."

"We see far more anxiety than ever before. This is worse than 9-11," said Scibilius, who was director of Lutheran response services at Ground Zero. "That was quick. Now there are new layoffs all the time. So, everyone is worried."

Four full-time and four part-time employees were cut at the 5,000-member church, trimming the staff to 22. Personnel was an easy target, Scibilius said, because compensation accounted for 51 percent of the budget.

In the last quarter of 2008, 20 percent of American households reduced their charitable giving to congregations, according to a survey by the Barna Group.

But historical giving patterns suggest the most severe effects of a recession are felt by churches as much as a year later than the rest of the economy. One reason is the faithful usually wait as long as possible to reduce their church contributions, giving experts report.

Worst yet to come?

That lag—and talk of a multi-year recession—could mean the worst is yet to come for American congregations.

In an online survey in February, the National Association of Church Business Administration found that 57 percent of its members' congregations already had experienced a drop in contributions. Twenty

percent of the respondents said their churches had been forced to lay off employees. And nearly half, 47 percent, said they had reduced or frozen staff compensation.

Most churches will put off layoffs as long as possible, said Martin and Bullard, both of whom consult with Christian churches of many denominations.

Some churches, in order to keep from laying off staff, are deciding not to pay retirement for a year or shifting health insurance costs to employees, said Bullard, a consultant in the Columbia Partnership.

Other coping measures recently imposed by congregations include giving employees unpaid furloughs and shifting some staff to part-time.

At First Baptist Church of Decatur near Atlanta, the 2009 budget of \$1.6 million was cut 23 percent across the board. As an alternative to firing staff, ministerial salaries were reduced 10 percent and retirement benefits for all employees were cut 90 percent. Spending for operations, administration, missions and ministries weren't spared either.

Cutting budgets, keeping staff

Michael Clingenpeel, pastor of River Road in Richmond, Va., has a similar account.

"We cut our 2009 budget more than 10 percent, but we managed to keep staff employed," he said.

"The cuts have come in program areas across the spectrum of our church's life. Our finance committee has tried to be strategic and proportional in its cuts."

Chris Gambill from the Center for Congregational Health cautions churches against eliminating staff if at all possible. "You set yourself back

significantly, and it will take a long time to recover from it,” he said.

What a congregation does before a crisis hits—specifically its personnel practices, both good and bad—largely determines whether it will weather a financial storm well or land on the rocks, the experts said.

Systems and structures that produce strong churches in good economic times—clear job descriptions and supervisory lines, specific job expectations, and regular performance evaluations which are not tied solely to financial compensation—serve churches well in bad economic times, Martin stressed.

Even if congregations don’t practice such “wellness techniques” before a crisis hits, Bullard said, they still can minimize the damage by responding wisely.

More information is better

For example, he said, take three weeks to explain the dilemma to the members.

“Sometimes they step up with more money or find innovative ways to handle the crisis,” he said.

And if not, members still are better prepared to acknowledge somebody has to go, he said, and the church can “lower the backlash” of layoffs by setting the criteria ahead of time.

“If you don’t have time for that,” he continued, “lay it out plainly to the congregation, before people line up behind their favorite staff person.”

Financial stress can even produce positive changes for a congregation, he said, as long as the members already have agreed on their vision and direction.

“You can see this as an opportunity to be more strategic with the staff,” Bullard advised.

“We’re making tough decisions. Why not make the decisions in the direction we’ve voted to go as a church?”

Meanwhile, giving has not dropped at First Baptist of Macon, Ga., and cuts have been avoided so far.

“I keep expecting the recession to hit us, and I’m sure it will, but not appreciably so far,” Pastor Bob Setzer said.

Remaining upbeat

But for some churches, that other shoe may never drop. Although they have witnessed the same economic strains all around them, they have held steady or even seen an uptick in giving—in part, they say, because they have remained upbeat even in the face of threatening skies.

First Baptist in Rome, Ga., and Wilshire Baptist in Dallas both started trimming expenses as much as 10 percent early in 2008, which prevented drastic cuts this year and preserved most-needed ministries.

“We did this without any reductions in salaries or staff furloughs,” Rome Pastor Joel Snider said.

“Our cutbacks ... have allowed us to increase funding for our ministries to the poor, such as support for our local free medical clinic, homeless shelter and direct benevolent support.’

Wilshire held expenses at 90 percent of budget in 2008, ending the year with a surplus instead of a deficit. In fact, the congregation set a record for overall giving, which included capital, endowment and special-missions giving.

“One of the lessons we learned last year is that it helps to be positive and encouraging,” Associate Pastor Mark Wingfield said. “even when uncertain, because to throw on the brakes and limit vision sends exactly the wrong message to the congregation—and likely impedes giving.

“Our stewardship-development committee has operated with a theology of God’s abundance rather than taking a perspective of scarcity.

“This viewpoint, I believe, is contagious in the congregation,” he added. “When some members are not able to contribute as they have in previous years, others are able to contribute more than in previous years.

“We can’t be scared away from preaching and teaching stewardship just because the national economy is in turmoil. The church must call Christians not to live in fear of what might happen but to be faithful with what they have today.”

“Caution, yes. Prudence, yes. But fear, no.”