# Churches experiencing cash-flow problems

Is the offering plate half-full or half-empty? As the recession cuts donations, churches are feeling their congregations' financial pain.

**By** [**JEFF STRICKLER**](http://www.startribune.com/bios/10646056.html)**,** Star Tribune

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#### What do churches do?

Churches are the places people go who can't find help when all of the social service agencies are out of funds. Churches promote and [… read more](http://www.startribune.com/lifestyle/faith/79138892.html?elr=KArksUUUU##) collect for charities ranging from homeless shelters, to food shelves, toys for tots and world hunger to name a few. They are among the first to come in and pick up after a tornado, or flood. People who worship on a regular basis are generous to organizations outside the church as well as supporting their faith community. Church people are the ones volunteering at the Food Shelf, in your schools, at Habitat for Humanity. They are among the most unselfish people I know.

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Across the Twin Cities, cash-strapped churches are freezing ministers' pay or cutting back on their benefits.

In Indianapolis, taking a cue from a major automaker, a church has promised to refund the donations of members who lose their jobs. In Seattle, a pastor resigned after tapping a church disaster-relief fund to pay staff salaries.

As churches around the country wrap up their annual pledge drives and set their budgets for next year, they're responding to the economic crisis in unprecedented ways.

Final figures for pledge drives aren't in yet, but the Independent Sector, a group that tracks charitable and philanthropic causes, recommends that churches draw up two prospective budgets: one flat and one based on a 5 percent drop in revenue.

Even for churches that have not had money problems, it says, "At best, do not plan for an increase in giving and/or pledging beyond 2 percent."

The fallout from the pledge pinch already is being felt. United Methodist bishops volunteered for pay cuts. The Episcopalians, Roman Catholics and Conservative and Reform Jews have had congregations fall behind in their payments, resulting in job cuts. The Evangelical Lutheran Church in America (ELCA) dropped a radio program that had been on the air since 1947.

"Many people just aren't giving as much as they used to," said Bishop Peter Rogness of the ELCA's St. Paul Synod.

Optimism fades

By the time the recession began in December 2007, pledge drives for 2008 had been completed and most church members did their best to honor their pledges, even if it meant cutting elsewhere.

"It's personal," said Wendy Johnson, communications director for the Episcopal Diocese of Minnesota. "The givers can see what the money is being used for, so they tend to keep giving while they might be cutting back on their donations to other organizations."

That protective bubble started to collapse last year. Many people either kept their donations the same -- a net loss once inflation is figured in -- or reduced them.

"What people are concerned about the most in 2010 is their job," said the Rev. Sally Dyck, bishop of the Minnesota Annual Conference of the United Methodist Church. "They are changing their pledge in case they lose their job."

People wanting to make sure they can honor their commitments are "under-pledging," cutting the amounts they are promising, then putting more money in the offering plates when they can. While churches benefit from the larger contributions, their budgets must be based on pledges, not speculation about weekly collections.

The shortfalls can be immense, even on a local level. The Archdiocese of St. Paul and Minneapolis calculates that Twin Cities parishes are $7 million behind in paying their annual assessments.

The archdiocese isn't putting the squeeze on delinquent parishes, because many of them are barely keeping afloat as it is. But the shortages can't be absorbed indefinitely. The archdiocese is in the process of creating a strategic plan that, when announced next summer, might include closing some parishes.

Many churches have endowment funds, but after the stock market collapse, they are reluctant to drain them further by making withdrawals.

It's even worse in the Jewish community, especially on the East Coast, where many synagogues had turned endowment management over to Bernard Madoff. When his Ponzi scheme was revealed, some synagogues watched multimillion-dollar investments turn to dust overnight.

Even some ministers whose salaries aren't being reduced are getting walloped by cuts in benefit packages, especially health insurance. According to recent statistics compiled by the National Association of Church Business Administration, only 26 percent of full-time Protestant ministers still have full health coverage.

Churches in growing communities can recruit new members to offset drops in pledges. Those elsewhere can't. Wooddale Church in Eden Prairie opened a second campus in Edina. Messiah United Methodist Church in Plymouth just wrapped up a capital campaign to pay for an addition to the building. Eagle Brook Church, already the state's biggest congregation, has gotten city approval to build a fourth church in Blaine.

At the same time, two United Methodist churches in Minneapolis -- Asbury and Oakland Ave. -- merged. A pair of the first black Episcopal churches in the state, St. Thomas in Minneapolis and St. Philip's in St. Paul, closed within a month of each other. One of the oldest Catholic churches in St. Paul, the 120-year-old Church of St. Luke, merged with Immaculate Heart of Mary and became the Church of St. Thomas More.

Location is crucial for those who don't have denominational support to fall back on.

"We don't have a large national organization along the lines of, say, the ELCA," said Ibrahim Hooper, national spokesman for the Council on American-Islamic Relations. "Our funding is all localized."

A survey by the Albin Institute, a nonprofit research organization that focuses on religious issues, reported that a third of U.S. congregations had increases in donations during the first six months of 2009, a third had a drop and the rest were struggling to stay even.

Even when the economy recovers, churches are likely to see enduring changes.

Dawn of a new age

At the heart of the issue is an increased reluctance among people younger than 30 to join congregations. They regularly attend services, but they shop around.

"It's not just that they change churches, they'll go from one denomination to another," Rogness said. "The notion of institutional loyalty was not passed to their generation."

That means the traditional system of having members make pledges or pay dues might not survive. So, what is the future of church funding?

"Anyone who says that they know what model the churches will take 10 years from now is kidding themselves," Johnson said.

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