

## FINANCING THE LOCAL CHURCH: WHAT DOES IT COST?

Even though they are not members, Bill and Dorothy go to a church in their neighborhood once or twice per month. They are fond of the pastor and proud of the congregation's ministry. They also take pride in contributing a small amount when they attend services feeling satisfied that they have contributed their fair share toward the church's expenditures. Is their assessment realistic?

### What Does It Cost to Run a Church?

The annual budget for Protestant congregations averages between \$200,000 and \$250,000 per year.<sup>1</sup> Because of the broad range in budget sizes, it is helpful to compare total expenditures to the average worship attendance for the same year. Most Protestant congregations receive an average of \$2,500 a year per each worshiper. Typically, smaller churches report higher per-worshiper contributions. And, some worshipers consistently give more than others. Experts believe that about one-third of individual contributors in a local church make up three-fourths of the total received in contributions.

While all congregations report that individual contributions (in the form of offerings, pledges, donations, or dues) are their biggest source of income, based on recent surveys, 80 to 90 percent of total income comes from these individual worshipers. The percentage varies little across congregations, but conservative Protestant churches are slightly more dependent on individual donations.

*Income and operating expenses.* Most congregations (85 percent) own their place of worship or meeting space. Thus, their budget line items include utility expenses, maintenance and landscaping costs, facility insurance, and in some cases, debt retirement on capital improvements or expansion. Even those churches without a building incur expenses associated with rental space, electronic equipment, and furniture.

Another budget item relates to church staff. The majority of congregations employ just one full-time clergy person. Churches take their financial commitments to their pastors and staff seriously. Congregations compensate pastors with salary, housing or housing allowance, health

insurance, retirement contributions, and reimbursements. Inflation, rising health insurance rates, and other factors mean many congregations struggle to adequately meet their financial obligations to pastors and other staff.<sup>3</sup>

In total, operating expenses and staff account for about 80 percent of the typical church budget.

*What else makes up a church budget?* Congregations affiliated with a denomination make annual contributions to their judicatories or national agencies. Funds help the denomination carry out tasks that are beyond the scope of a local church and promote mission efforts nationally and internationally. The percentage that local churches give to denominational agencies varies, but the median is about 8 percent of the church's total budget.

Some congregations set a percentage of the church budget for local mission and ministry. These budget items include all types of church programming (choir, youth group) as well as local mission work (food pantry, community outreach). Because churches define the "mission" category portion of their budget differently, the typical percentage ranges from 15 to 30 percent or more.



"PERCENTAGE GIVING IS WHEN 20% OF YOU  
GIVE A LOT MORE THAN 80% OF US."

## Where Does the Money Come From?

Although congregations rely on individual contributions as their biggest source of income, the second largest source of revenue comes from trust funds, investments, or bequests. Around 60 percent of congregations report this type of annual revenue, indicating \$33,000 as the median yearly amount.

After individual contributions and endowments, the third largest source of congregational income reported is charges for use of the church's facilities or buildings. About one in four churches receive some rental and usage income. These congregations report an annual median amount of \$5,000 in income.<sup>4</sup> For both endowments and use of church facilities, more mainline Protestant churches report generating revenue in this way compared to conservative Protestant churches.

## Why Do People Give?

About half of U.S. worshipers regularly give 5 percent or more of their net income to their congregation. Greater numbers of conservative Protestants practice percentage giving compared to mainline Protestant worshipers. When worshipers are asked to identify the factors that influence their decision to make financial gifts to their church, the most important reason is that they feel a sense of gratitude for God's love and goodness.<sup>5</sup> Other major influences on worshiper giving include:

- wanting to contribute to God's work
- a sense of religious duty to give
- the Bible's teaching on giving
- a sense of obligation to support the church's work
- hearing about specific needs
- a sense of gratitude for help my family or I have received from the church

Beyond these personal reasons for giving, research shows two organizational strategies yield higher giving levels in churches of all sizes.

*An annual financial stewardship campaign.* First, churches with a well-designed and executed annual campaign generate more revenue per worshiper than churches that attempt to raise funds without such a strategy. A campaign should invite worshipers to go on record with a financial pledge or commitment for the coming year. Such an approach yields about 30 percent more revenue than no such effort.

*Ask every worshiper to practice percentage giving.* In the typical congregation, one in four worshipers give

10 percent or more of their income to the church. What about the other worshipers? Encourage them to give a percentage of their income and make it easy for them to calculate their current giving level. Then, ask them to grow their current gift by 1 percent in the coming year.<sup>6</sup>

## Questions for a Financial Tune-up

Discussing a few key questions can move the governing board and lay leadership in a positive decision-making direction.

- Does the board have a general sense of the percentage of budget allocated to each broad expense category? Does that allocation reflect the values and beliefs of members? Have the percentages changed in significant ways in the past ten years?
- Has the board or relevant committee reviewed the building usage guidelines or policies in the past year or two? Do the fees adequately compensate the church for the expenses associated with that use (including utilities, set-up and clean up, insurance)? If not, are these expenses covered by the church's mission budget?
- Does the congregation conduct an effective annual stewardship campaign? What criteria are used to assess its effectiveness?

## Advice for Worshipers

How much should Bill and Dorothy put in the offering plate when they attend services? While the answer depends on the size of the church and its budget, the statistical averages indicate that around \$48 per week per worshiper helps most congregations reach their budget goals. Thus, if Bill and Dorothy drop \$100 in the plate, they would be well on their way to more fully sharing in the costs of the congregation's ministries.

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1. Median congregational incomes reported in the U.S. Congregational Life Survey (2008) and the National Congregations Study (2012) were adjusted for inflation.

2. Cynthia Woolever, "Keeping Up with the Pastor's Pay: Trends Behind Clergy Wages," *The Parish Paper*, October 2016 (Vol. 24, No. 10).

3. National Congregations Study (2012).

4. Cynthia Woolever, "Ten Reasons Why We Give," blog post (2010), <http://presbyterian.typepad.com/beyondordinary/2010/03/ten-reasons-why-we-give.html>

5. See the Lewis Center for Church Leadership resource, "50 Ways to Improve Your Annual Stewardship Campaign," <https://www.churchleadership.com/50-ways/50-ways-to-improve-your-annual-stewardship-campaign/>.