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# Show Me the Money!

## Funding the Reformed Church in America<sup>1</sup>

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Early in the movie *Jerry McGuire*, the demand "Show me the money!" is used by a professional athlete as his precondition for an ongoing relationship with his talent agent. This guiding principle dominates the plot as player and agent bluster and cajole, wheedle and whine, in order to promote themselves in the face of corporate and personal greed. However, in the time-honored tradition of morality plays, by the end of the film both characters learn that money is not the only, or even the most important, ingredient in their lives and in their relationship—although it sure is nice to have around!

Christians would understand this ambivalence about money. Churchgoers are notorious for downplaying the issue of finances in their church lives, much to the distress of those who are charged with managing the fiscal survival of congregations and denominations. In responses to countless surveys, the issue which disturbs parishioners the most about their congregations is (perceived) carping about donations. Having said this, however, few congregants would maintain that church finances are *unimportant*. Financial resources allow congregations and denominations to do the work of the church, from supporting clergy and staff to maintaining church "plants" to funding a worldwide array of "mission" programs. Despite all efforts to evade it, the issue of money inevitably intrudes on the life of the church.

"Where your treasure is," St. Matthew records Jesus as warning, "there your heart will be also." Much can be learned about the heart of the church by unraveling the allocation of its treasure. What follows is a study of Reformed Church in America (RCA) finances over the last 140 years. The data for the analysis come from annual "Orange Books" (*The Directory and Financial Statements of the General Synod*) which report, with varying levels of detail, the benevolent and programmatic contributions received by the member congregations of the RCA. By ascertaining where churches expend their funds, we may obtain a clearer sense of the heart of this denomination.

### Trends in RCA Giving

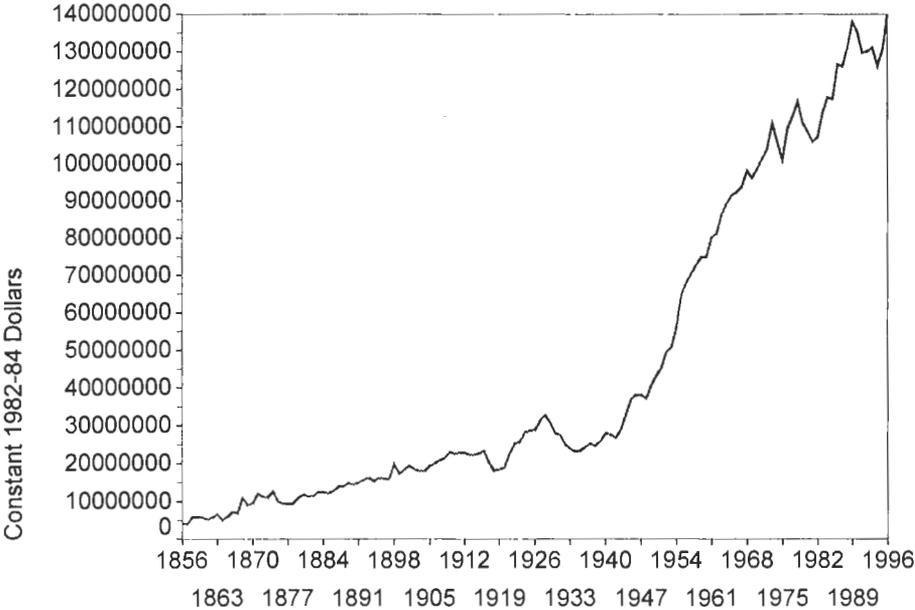
One commonly heard refrain in church circles is that finances are tight because giving is down. Indeed, some have argued that this supposed drop in giving is one of the most serious problems facing many denominations today. With the growing competition for benevolence dollars—from para-church agencies (e.g., Promise Keepers, Focus on the Family, the Hour of Power), from

church-related colleges, hospitals, social service agencies, and from secular appeals (e.g., the United Way, fine arts organizations, public radio and television)—it would appear that the church is in a no-win situation.

Yet, reality challenges this generally held assumption. Graph 1 presents the

GRAPH 1

TOTAL RCA GIVING



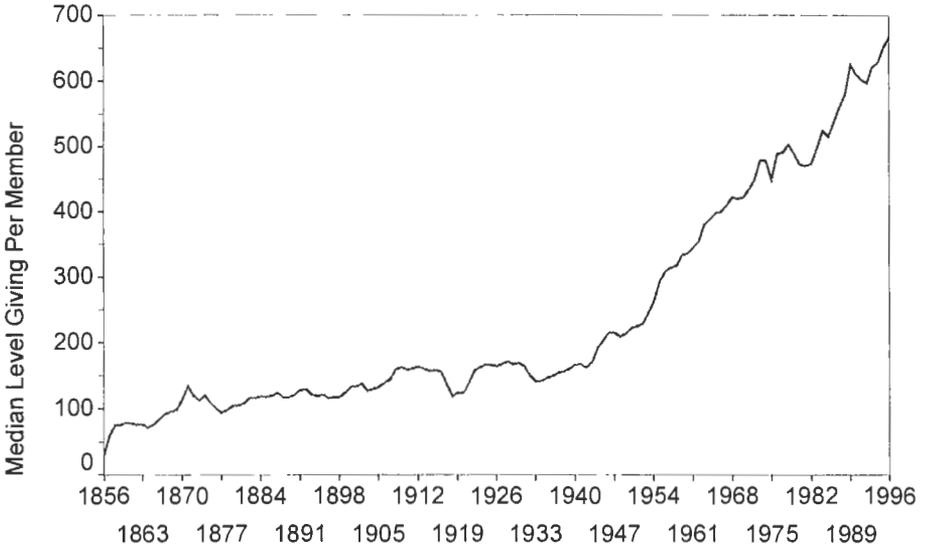
trend in total giving in the RCA since the 1850s.<sup>2</sup> In order to control for inflation, these data are reported in constant 1982-84 dollars (a figure which is reported annually by the Department of Commerce and is based on the price of basic consumer goods). *Contrary to conventional wisdom, the current total giving in the RCA is at an all-time high.*

Perhaps most remarkable about the trend in giving is its very steep and steady rise, especially since World War II. Except for a few years when it dropped off temporarily (e.g., especially during the Great Depression of the 1930s), overall giving has been constantly rising in the RCA since the middle of the last century. The plain fact is that the coffers of RCA churches are remarkably full. Perhaps this fact should not be surprising since the denomination has also been growing during much of this time. One would expect that an increase in membership would result in an increase in giving. However, does this growth in membership explain all of the growth in giving?

Graph 2 plots the trend in the average giving *per member*. Once again, the dollars have been standardized to account for inflation. The per member giving

GRAPH 2  
AVERAGE GIVING PER MEMBER

(In Constant 1982-84 Dollars)



plot closely mirrors the pattern reported above for total giving, although the rate of growth is not quite as dramatic. From 1850 to 1940 there was a gradual, but steady, increase in per member giving. Over these ninety years the median, per capita giving fluctuated between about \$100 and \$200 per person (in 1982-84 dollars). This remarkably stable level of giving reflects a relatively steady standard of living within the denomination. This early trend has been followed by a rather sharp escalation in giving that continues to the present. Rising more than four-fold since 1940, *average per member giving in real dollars is at an all-time high.*

What accounts for the upward pattern in total and per member giving? Much of it has to do with the rising economic fortunes of most Americans. Americans in general, and RCA members in particular, are on average much more affluent today than they were prior to World War II. As a consequence, they have considerably more "disposable income" (those resources which are not required for basic survival expenses), out of which most contributions are drawn. Thus, RCA members are *able* to give more today, and they are doing so.

However, this story is not entirely rosy: the observation that RCA members give more today than in the past needs to be qualified in light of other survey research we have conducted on RCA members (and which is confirmed in surveys of other mainline denominations).<sup>3</sup> This parallel research indicates that *while the amount of money which members give has increased in recent decades, the percent of their income that members contribute has actually declined.* While there are more per capita dollars coming into RCA churches today than ever before, these dollars represent a smaller percentage of members' incomes. In general, higher income families contribute more total dollars—but a smaller proportion of their incomes—to the church.

Total giving has skyrocketed; *real* dollars are more plentiful than ever; individual members of the RCA are making contributions at unheralded rates. Nevertheless, conventional wisdom bemoans the fiscal distress of the church. What is going on here?

### Where Does the Money Go?

Thus far the data do not tell us where contributions are going. Have congregations used their increased givings to raise their financial support of denominational mission programs and agencies? Has there been a resurgence of the missionary zeal which was born in the nineteenth century, and has this zeal been translated into growing domestic and overseas adventures? Or have the additional resources been retained by congregations for their own purposes? Has the increased budget been expended on local interests? Are the hearts of RCA congregations increasingly self-focused?

#### *Internal and External Allocations*

Graph 3 breaks down RCA congregational *allocation* of funds by internal and external recipients. "Internal" refers to allocations designated by congregations for such items as staff salaries, building maintenance, and congregational programs and services. "External" refers to funds which were sent by local churches to the denominational, synodical, or classical agencies for use. In recent years, this category has also included moneys spent on non-RCA agencies and ministries.

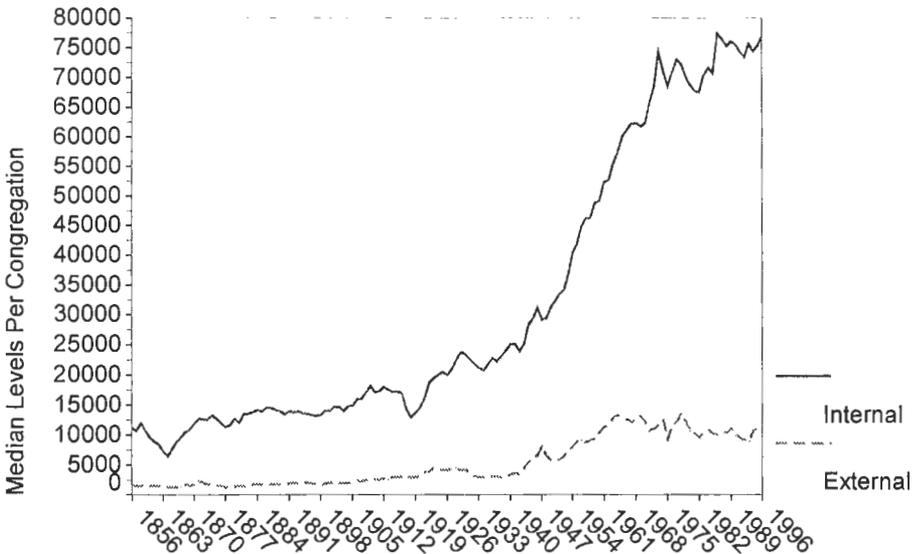
Graph 3 makes immediately apparent two very distinct patterns which reflect the two trajectories in Graph 2. For almost 100 years, the per congregation, constant 1982-84 dollar expenditures in the RCA followed a steady pattern. While congregations have always retained more funds than they have sent on to external agencies, the burgeoning budgets of the past fifty years

have resulted in a marked shift in emphasis. The vast majority of additional funds received by the church since World War II has been retained by local congregations for their own purposes.

GRAPH 3

INTERNAL AND EXTERNAL ALLOCATION OF GIVINGS

(In Constant 1982-84 Dollars)



Two major post-World War II trends apparently account for much of this shift.<sup>4</sup> On the one hand, churches are increasingly relying on professional staff to carry out their programs. Many congregations have multiple pastors and paid lay professionals. As RCA members become more wealthy, their expectations for program planning and implementation have become more exacting. Church "plants" have become increasingly elaborate, while in many congregations high fidelity sound and high-tech lighting are becoming the norm. These raised expectations are costly—and absorb a sizable proportion of the increased giving to the church. On the other hand, women—the historic backbone of the volunteer core in all churches—have less time to do church work. Not only women's guilds, but also other volunteer arms of the church have found it increasingly difficult to attract participants. Clearly, changes in family and work patterns are involved in these dropping levels of volunteerism and the resulting rise in professionalization.

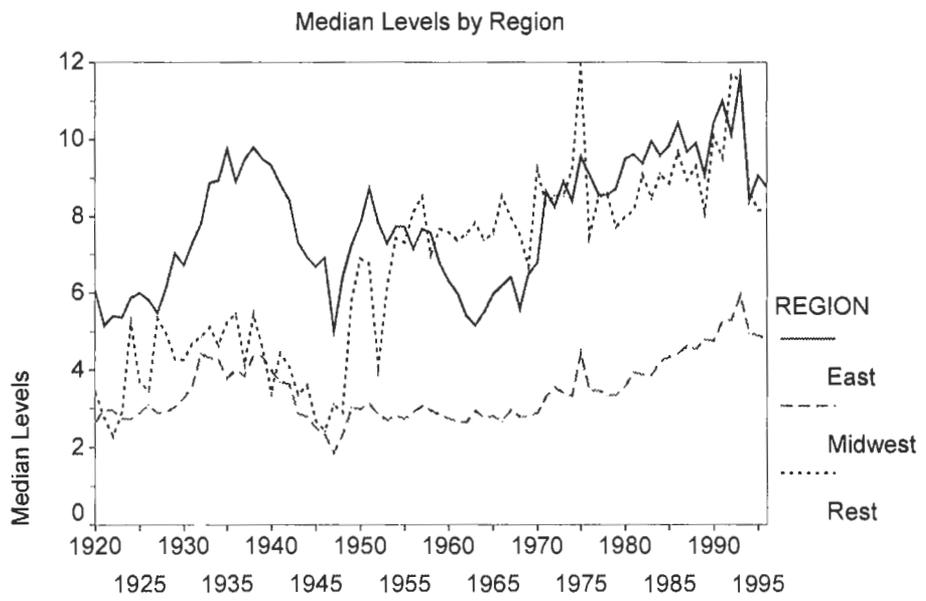
In sum, the first answer to the question about where the funds are going is clear: *It costs more to run a local congregation today than ever before.* At the very least, it costs more to run congregations the way we have come to expect.

But there is more to the explanation than this single motif. Congregational expense allocations vary significantly across regions of the country and among congregations of differing sizes.

*Region*

One way to look at these long-term variations in church giving is to compare "ratios of internal to external allocations." These ratios are based on the amount of funds kept at the local congregation relative to the amount given elsewhere; in other words, for every dollar allocated to extra-congregational purposes, how much does a congregation retain for its own expenses? Graph 4 presents such a

GRAPH 4  
RATIO OF INTERNAL TO EXTERNAL GIVING:



plot line based on regional breakdowns for RCA congregations since the end of World War I. This start date was chosen because it marks the first time that there was a significant number of RCA congregations outside of the East and the Midwest. Two important patterns are quickly apparent. Throughout the twentieth century, congregations in the East (New York, New Jersey, Pennsylvania) have retained a significantly greater proportion of their funds for their internal expenses than have churches in the Midwest. For much of this period, they have retained between \$6 and \$10 for every dollar sent outside the congregation. During much of the same period, churches in the Midwest (between the Appalachians and the Rockies) were retaining between \$3 and \$5

for every dollar they shared outside. Meanwhile, the internal to external allocation ratio in "the Rest" of the denomination (including Florida, California, Arizona, and Canada—accounting today for about a tenth of the RCA's membership) began at the level displayed in the Midwest, but quickly rose to follow more closely the Eastern pattern. *Non-Midwestern churches retain relatively higher amounts of their contributions to run their internal programs.*

The second pattern very evident in Graph 4 is that congregations throughout the RCA are retaining for internal purposes a growing proportion of their funds. From a post-World War II level of about \$2 for every dollar sent outside, Midwestern churches have increased the proportion of their retained funds to about \$5 for every dollar sent outside. Similarly, churches in the East and the Rest have jumped from a post-war level of about \$6 internal for every dollar outside, to a current point of over \$8 (having peaked at almost \$12 to \$1 in the early 1990s).

Region, long an important factor in the lives of RCA congregations, continues to be consequential.<sup>5</sup> Apparently there is something about the subculture of the church in the Midwest—often the region most critical of official denominational policy—which continues to value the benevolence program of the larger church at a level demonstrably higher than is found in either the East or the Rest of the RCA. At the same time, there has been a long-term trend throughout the denomination of retaining increasing amounts for internal, congregational purposes to the detriment of external programs and agencies. Even the Midwest has experienced this gradual eroding of support for extra-congregational activities.

It is important to underscore the fact that this pattern of erosion of support for outside programs began right after World War II; it was not a by-product of the ideological debates of the late 1960s and the 1970s, although those debates have frequently and incorrectly been used as explanations for the declining support of denominations. In effect, *the changes reflect the rising expectations which RCA parishioners have about the services they wish to have delivered to themselves by their local congregations, and a consequent shift in ministry emphasis from external programs to internal ones. To varying extents, this pattern pervades all regions of the RCA.*

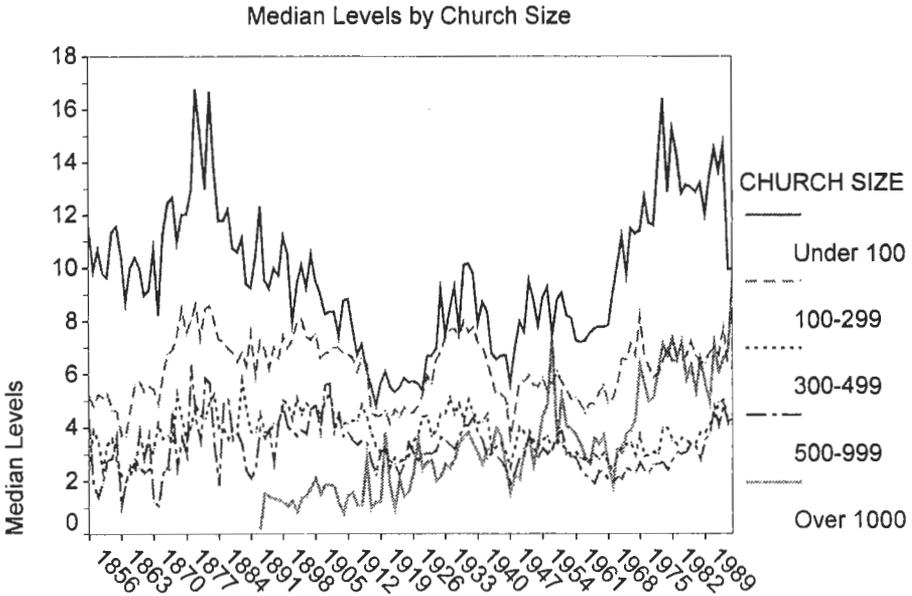
### *Church Size*

The factor of church size has also influenced variations in retention of congregational dollars. For instance, we might expect that small churches need to retain a large share of their givings simply to pay for their fixed costs (pastoral salary and benefits, maintenance of their facilities, and so forth). Thus, we could expect that they would be less able than larger churches to offer financial support to denominational programs. On the other hand, large congregations can be expected to draw in more donations and to be in a better position to fund external programs. Is this the case? What has been the historical pattern of internal to external expenditures as related to church size?

Graph 5 suggests some answers to these questions. Once again, it presents ratios of internal to external allocations; this time they are broken down by

## GRAPH 5

### RATIO OF INTERNAL TO EXTERNAL GIVING:



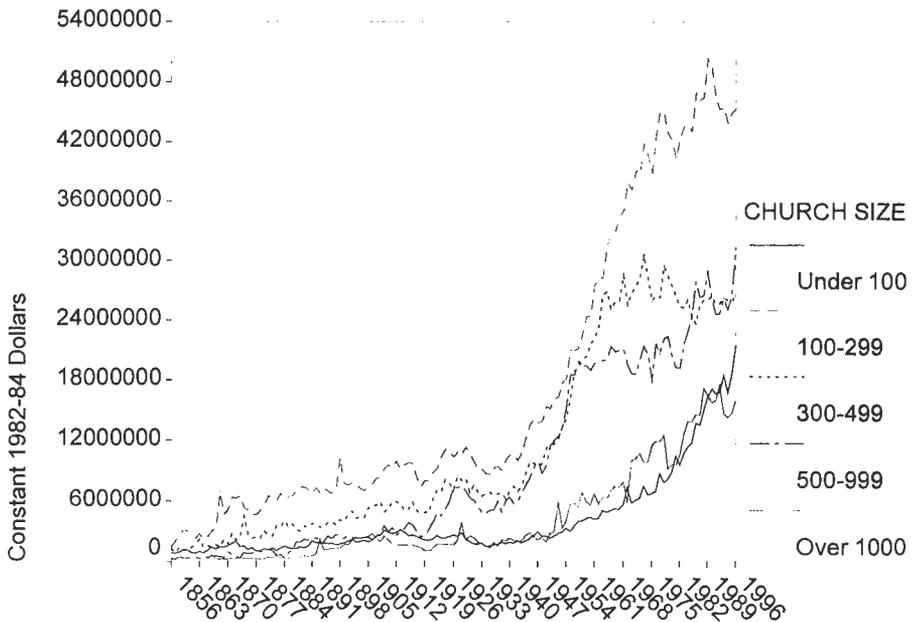
church size (as measured by number of active communicants). In the early years of the twentieth century, there appears to be a clear "economy of scale" operating in terms of church size and internal versus external allocations. The smallest congregations (as predicted) have retained the highest proportion of their contributions for internal needs, doubling from around \$6 internal to \$1 external in the 1920s to a ratio of around \$12 to \$1 today. On the other hand, in the early years, the largest congregations (those with over 1000 active communicants) retained the lowest proportion, around \$2 internal to \$1 external in the early years, rising to around \$3 to \$1 in the late 1960s (with periodic "spikes" due to unusual circumstances in one or two congregations at a time). In recent years, however, the largest congregations have steadily risen in their ratio, topping out at almost \$9 to \$1 in the mid-1990s—a level comparable to that of many small congregations. *The RCA's smallest congregations have long been least able to contribute to external programs of the church; moreover, in recent years, its largest congregations have been retaining more and more of their contributions for internal purposes, thereby shifting the long-standing pattern.*

In the meantime, congregations between 300 and 999 members have remained remarkably consistent in their retention of total contributions; throughout the twentieth century, these "mid-sized" congregations have regularly retained about \$4-\$5 for every dollar they have shared externally. Remarkably, this allocation pattern shows very little variation throughout the 140 years under study here, despite increasingly critical rhetoric about denominational programs. These mid-sized congregations are clearly the financial backbone of the RCA.

Further evidence of their central fiscal role is evident when their total contributions are compared with those of the largest and smallest congregations. Graph 6 presents the long-term trends in giving as divided by church-size

GRAPH 6

TOTAL GIVING BY CHURCH SIZE



categories. In terms of the absolute amounts which are given by churches in each of the five size categories, it is clear that parishioners in the churches in the 100-999 member range have contributed the bulk of total RCA dollars. Not only do these congregations provide the largest proportions of extra-congregational expenses, but they also contribute the greatest total amount to the overall life of the church. Interestingly, total giving from all parishioners in congregations under 100 members has closely paralleled the total giving from all parishioners in congregations over 1000 members.

The high cost of running small congregations is to be anticipated, but why have the largest congregations become less supportive of the denomination's programs than in years past? It would appear that a combination of several factors explains why the economy of scale is no longer working for them. Since World War II, the suburbanization of RCA members and congregations has been one factor; increased competition for "consumerist" parishioners has been another; and the changed nature and role of the largest churches has been a third.

Until the end of World War II, the RCA's principal large congregations were Eastern, urban ones. These congregations were central to a network of inner city ministries which dated back to the earliest years of the Dutch settlement in the New World. They were, in many respects, large-scale "parishes" suggestive of "neighborhood" congregations in the small towns throughout the denomination; their memberships were drawn from a relatively circumscribed area. The burgeoning U.S. economy in the decades after World War II (whose impact is referred to above in terms of increased giving throughout the church) and the newly implemented GI Bill, led to a massive exodus of Americans from their childhood urban neighborhoods to the newly created suburbs (many of which were deliberately planned to attract the growing middle class).

This large-scale emigration led to a gradual unraveling of the traditional ties that bound parishioners to their local congregations—and denominations. The parish concept of church involvement, which meant that members joined the RCA church in their immediate neighborhood, gave way to unbridled competition pitting RCA congregations against one another and against congregations from other (and no) denominations. As a result, the RCA's grand old urban churches fell into underuse or disuse. This demise of urban congregations was often accelerated by "white flight" in the face of ethnic transition, further complicating the situation.

Once in the suburbs, RCA members joined the throng of "church-shoppers" looking for new congregations in which to enroll. Sometimes entire congregations relocated to the suburbs, retaining their sense of community by changing their cultural and physical venue. Older RCA churches already located in the burgeoning suburbs often picked up other newcomers. For the first time, however, RCA congregations encountered a "free market" religious environment in which they were forced to compete for potential members with a full range of other denominations.

As a result of these migration patterns, the RCA's largest churches increasingly shifted from being inner city parishes to being suburban (and small town) "niche" mega-churches, catering to a variety of people from a wide region and with a broad range of religious interests and backgrounds. These new members were attracted to individual churches whose multiple programs catered to the church shoppers' life circumstances and personal needs (including children's choirs, single parents' groups, AA meetings, day care centers, and so forth). Such new parishioners have more expectations of being serviced by the church than they have loyalty to specific congregations or denominations. As a

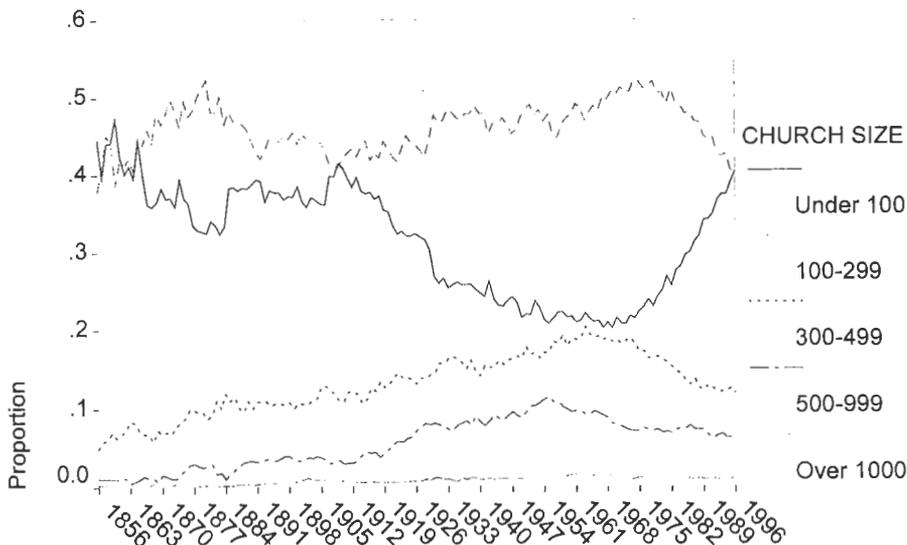
result, the RCA's mega-churches have found themselves in a spiraling regimen of costs. In order to retain their competitive edge in the face of other large churches in their market region, they have had to expend increasing proportions of their resources at the local level. From enhanced sound and high-tech video equipment to increasingly specialized staff, they find themselves under inordinate demands to cater to their own members. In short, "doing church" today in a highly competitive religious market place dominated by mega-churches is extremely expensive.

Finally, it would appear that the largest congregations in the RCA no longer see themselves as flagship congregations of the denomination with myriad responsibilities for denominational leadership and involvement. From the mid-seventeenth through the mid-twentieth centuries, there was no doubt in the mind of any upstate New Yorker that "First Church Albany" was the premier congregation in that region; indeed, its very name indicates that it brooked no challengers from within or without the denomination! Instead, today's largest churches increasingly see themselves as independent operators facing unique problems and being unfairly put-upon by external demands from judicatories and agencies outside their purview. Some of the recent battles about denominational assessment have been most bitterly fought by large congregations which are resistant to extra-congregational expenditures based on number of members. This has led to some curious headcounts—partly accounting for a bit of the volatility in Graph 5—as a number of large churches have reported contrived figures to the denomination for purposes of lowering their assessment levels!

While economies of scale are no longer fully evident in the RCA, thereby accelerating the rise in the ratio of internal to external allocations, there is also another pattern at work. The proportion of the congregations which have historically been the strongest contributors to the denomination has been dropping while the proportion of those which are the most costly has been rising. Graph 7 reveals this pattern clearly. While the proportion of congregations of under 100 members (those which retain the greatest amount for their internal expenditures) was steadily declining for the early years of the twentieth century, this category has risen dramatically since the early 1960s. Whereas in 1960, barely twenty percent of RCA congregations had under 100 members, by the late 1990s the proportion had doubled to almost forty percent. When congregations with fewer than 300 members are added to this category, the resulting total accounts for almost eight out of ten RCA congregations. *These are the churches which retain the largest proportion of their contributions for their internal needs and are least able to support the external programs of the church. Their proportion in the RCA is steadily increasing.*

Throughout the twentieth century, RCA members have been more and more generous in their giving. At the same time, the allocation of funds has not been to support external programs and agencies (like the denomination) but increasingly for local congregations. In large measure, these emphases reflect

GRAPH 7  
 PROPORTION OF CONGREGATIONS  
 IN EACH SIZE CATEGORY



the changing role of large congregations and the dramatic growth in the proportion of RCA congregations found in the smallest size categories.

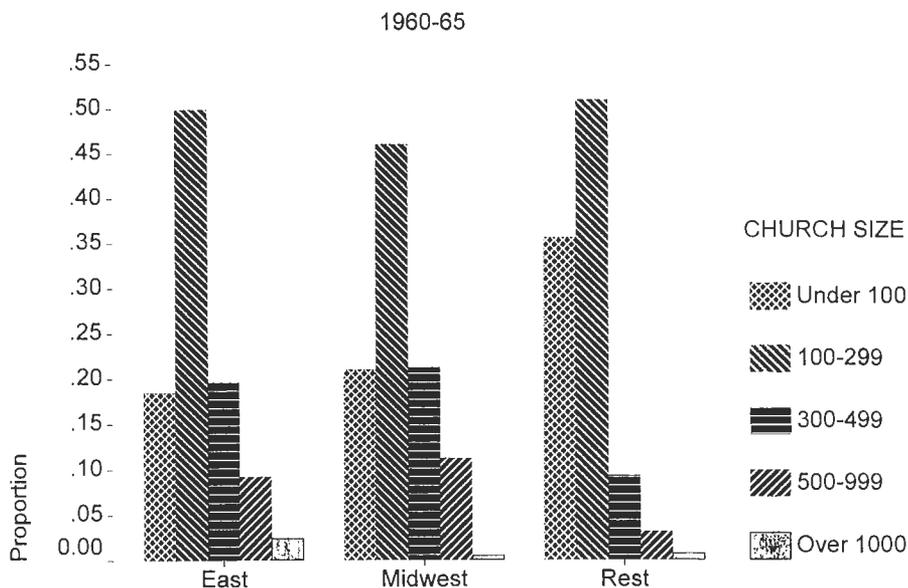
*Region and Church Size*

Changes in the size composition of churches have not been uniform across the geographic regions of the denomination. This fact is illustrated by a comparison of Graphs 8 and 9. Presented in Graph 8 is the proportion of churches in each size category and by region for the first half of the 1960s. During this period the average congregation size was at its highest and the denomination reached its largest total membership (approximately 225,000 active communicants). As such, it serves as a helpful benchmark to indicate some of the subsequent changes which have occurred regionally in terms of church size.

In the early 1960s, churches of mid-size were the most plentiful in all regions. The 100-299 member category was then the largest single category, and

GRAPH 8

PROPORTION OF CONGREGATIONS

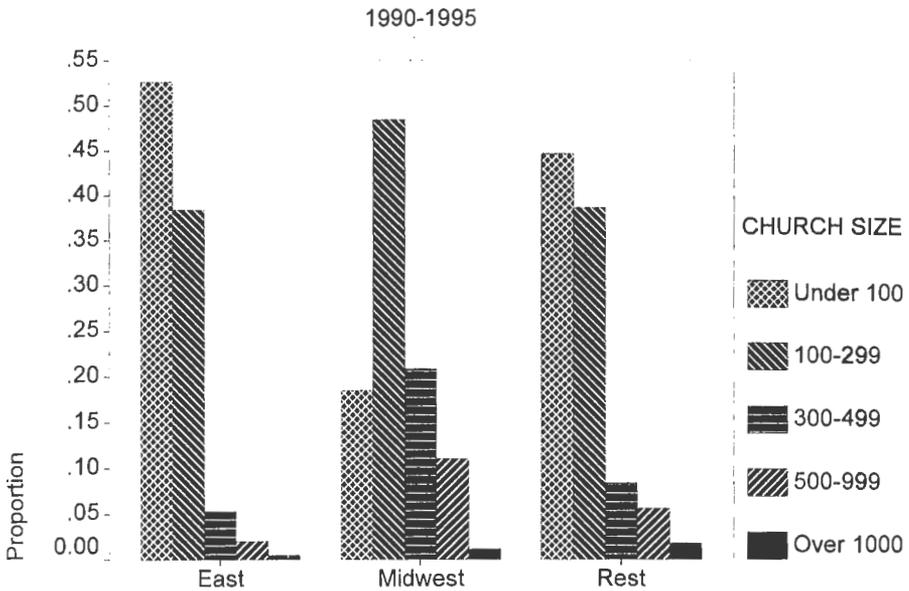


in the East and Midwest this was followed by the 300-500 member category. Churches under 100 members made up only about 18 percent of churches in the East, 20 percent of churches in the Midwest, and about one-third of churches in the Rest of the denomination. *While not accounting for more than 2 percent of the congregations in any region of the denomination, the proportion of churches in the over 1000 member category was the highest in the East during the first half of the 1960s.*

In Graph 9 we see the proportion of churches which fell in each size category for the first half of the 1990s. A comparison of Graphs 8 and 9 shows that the East and the Rest have experienced sharp rises in the proportions of their smallest churches (more than half of the Eastern churches now have fewer than 100 members), and a parallel decline in the proportion of churches between 100 and 300 members. In the East there has also been a substantial decline in the proportion of churches larger than 300. For the first time in RCA history, the East is not the leader in the proportion of very large churches.

Of all three regions, the Midwest has witnessed the least change in church size proportions. With only a slight decline in the proportion of small churches and a small increase in the proportion of churches between 100-300 and churches over 1,000, congregation sizes in this region have remained remarkably stable since the 1960s.

GRAPH 9  
PROPORTION OF CONGREGATIONS



A final word on the role of region and size in church fund allocation is this: *The historic spread between regions (with the East and the Rest retaining higher proportions for internal expenditures than did the Midwest) is evident for churches in each size category for much of the twentieth century. However, in recent years, there has been a marked coalescing of the rates of internal to external allocations for each size category across the denomination. That is, small churches throughout the RCA retain about the same proportion of their giving for internal reasons; similarly, mid- and large-sized congregations across the denomination retain at the same levels. This suggests that regional differences are being subsumed under size differences; overall, churches in the Midwest continue to contribute to external programs at a higher level than do churches in the East or the Rest, but this is increasingly an artifact of the larger proportion of 100-999 sized congregations in the Midwest. It would appear that the RCA's subcultural differences across regions, differences which have*

*operated for much of the life of the RCA, are less important than they once were in allocation of funding.*

### **What Can Be Made of the Numbers?**

These data suggest several important conclusions. The "squeeze" that many denominational and regional leaders feel on their budgets is reflective of allocation choices at the congregational level. While funds are coming into RCA congregations at an unprecedented rate, local churches have increasingly elected to use their funds for their own purposes. In the process, extra-congregational agencies and programs—including denominational and other RCA judicatorial agents—have not benefited from the rising tide of contributions.

At the same time, the costs for conducting congregational business are not equally experienced by churches of different size. The smallest and largest congregations are the ones least prepared to extend their largesse to external activities. Both are finding their internal needs demanding higher and higher proportions of their incomes. Furthermore, the recent past has seen a ballooning in the proportion of RCA congregations which fall into the smallest size category, thereby compounding the fiscal problem.

Finally, these data suggest that there has been a gradual homogenizing of attitudes toward extra-congregational activity across the denomination. While the Eastern churches reduced their proportional giving to the denomination and other agencies as early as the beginning of the twentieth century, churches in the Rest made their shift in the immediate post-World War II years (at the time that growing numbers of RCA congregations were being formed in California and Washington—largely at the behest and with the support of denominational fund-raising efforts!), and—most ominously for the future of the denomination as an institution—the Midwest has shifted its proportional giving in the last thirty years. Regional differences have been lost; the reason that the Midwest continues to give a higher proportion of its funds externally is that it has a larger segment of congregations in the 300 to 999 size categories. Today, size matters more than region.

The greatest fiscal challenge facing the RCA is not necessarily developing ways of increasing the moneys individual members contribute—although that would certainly help. Rather, the task is to develop a sustainable denominational structure given the changes in the allocation of funds and the proportion of "expensive" congregations over the past thirty years. Because small and very large churches are relatively expensive to operate, they retain a greater proportion of their givings for congregational purposes. Yet, it is precisely these churches that are growing proportionally today.

The RCA has been, and continues to be, most strongly supported by its mid-sized churches. This is the very good news. *Despite all the "anti-denominational" rhetoric in various quarters, despite temptations to expand their internal expenses to fit their growing pocketbooks, and despite historic regional differences, mid-sized churches give today at almost the same level that*

*they have done for 140 years.* However, these congregations often show only moderate growth. They are not the most "flashy" churches in the denomination; they often feel considerable pressure on their volunteer and paid staff; and they are constantly wondering how they can compete for newcomers with bigger congregations in their vicinity. Nevertheless, they are consistently among the most supportive of extra-congregational endeavors, and they have long been the ones on which the denomination depends for its very existence. Only in the Midwest have these mid-sized churches been able to maintain the same proportion they enjoyed thirty years ago. If the number of these mid-size churches continues to decline in other regions, it will mean further decline in financial support for the denomination. *This would place even greater pressures on RCA agencies and personnel to cut denominational programs and structures in the future. Such budget cutting at the very time that RCA members are giving more dollars than ever before would be a tremendous irony.*

## ENDNOTES

<sup>1</sup>The current study was generously funded by the Lilly Endowment, Inc., Grant #1995-0583. Many graduate and undergraduate students have helped to compile the data presented here. We express special appreciation to Sarahjoy Crewe who was our chief data manager, and to Kate Bawinkel, Elizabeth Hollebeck, Dana Huyser, Sara Luidens, Tracy Menken, Angela Nemeth, Nobu Shimizu, Rachel Todd, Amanda Vanderhill, Beth Volkers, and Linda Warner for their gracious persistence in the face of daunting amounts of data entry.

<sup>2</sup> Graphs 1 and 2 are refinements of ones presented in an earlier study reported in the *Reformed Review*, 47 (Winter, 1993-94), 85-112.

<sup>3</sup> Donald A. Luidens and Roger J. Nemeth, "Social sources of family contributions: Giving patterns in the Reformed Church in America," *The Review of Religious Research*, 36:2 (December, 1994), 207-217.

<sup>4</sup> This issue was first introduced in a study of denominational giving by the current authors in "Congregational vs. denominational giving: An analysis of giving patterns in the Presbyterian Church in the United States and the Reformed Church in America," *The Review of Religious Research*, 36:2 (December, 1994), 111-122.

<sup>5</sup> Church historian Randall Balmer remarks on the differences between regions of the RCA as early as the seventeenth century. At that point, "the East" was represented by New York City and Albany churches, while "the Midwest" was presaged in the hinterlands of New Jersey and Pennsylvania! See his *A Perfect Babel of Confusion: Dutch Religion and English Culture in the Middle Colonies* (New York: Oxford University Press), 1989.