

Churches Need Proactive Budgeting

The church budget is probably the key element in most church's financial planning. With the advent of church computer software systems, the prevalence of accountants in most congregations, to say nothing of the reporting requirements of government agencies, most churches on the budget side manage their money well.

One of the major issues however in church budgeting is not whether the income received or the numbers in the budget document are properly managed but why were the numbers put there in the first place. Why were the budget items included? This issue is not related to management but to the church's philosophy of budgeting and how that impacts the development of an adequately resourced base to make ministry in churches possible. If the budget concern is simply the management of money actually received, the definition of budgeting is, **"A budget is a static document that controls spending which tells you what you can't do!"**

Incremental budgeting

This budget definition is related to the incremental philosophy of budgeting. This is the way the government conducts its work and we would probably say by implication that that is not a good way therefore to do it!

Leaders that use the incremental budgeting approach in developing a new budget use the previous year's revenue as a starting point. To that amount a small incremental increase is added, often an inflation factor. This 'new' incremental total, last year's revenue plus a small increase, sets the parameters for the new budget's ministry. The budget committee therefore, responsible to formulate the new budget, begins by asking the question, "What did we get last year?" To this figure is added a small increment and that total sets the parameters for the following year's spending. The incremental question is **"What can we do?"** 'Can', being tied to the previous year's income.

There are a number of problems associated with this incremental budget philosophy.

Flat revenue line

The major problem with this incremental approach is the assumption that the church has a flat revenue line, particularly if there was difficulty in meeting the previous year's budget. When churches struggle on the budget revenue side, they are usually convinced that they 'maxed out' in their giving the previous year, meaning therefore that little more can be included in the new budget for the following year other than small needed increases in utilities, maintenance or salaries. These assumptions about flat revenue lines and the implications as to what they 'can do', make it difficult to do nothing other than maintenance budgeting. This results in a deadening impact that 'incrementalism' brings to revenue projection, because all it allows for is the perpetuation of what has always been done. If no more money is available, nothing new therefore on the ministry side can be done.

Incremental program projection

The second problem with incremental budgeting is that it results in incremental program projection. It is interesting to look at budget growth over a five-year period and ask the question, “Has anything new been added?” When no or very few new dollars are committed to program, expanded ministry or staff, the church is dealing with programming incrementally as a result of making bad assumptions about flat revenue lines. The incremental question is, “What can we do?” That is a deadening question that results in simply perpetuating the past.

Little more than maintenance budgeting

The third problem with incremental budgeting is that it results in little more than maintenance ministry. Churches committed to this approach have long since decided that there is no additional money available to do new things. They simply continue doing therefore what they have always done.

Incremental budgeting also has an unfortunate corollary to it. It is probably best described by the Finance Chair in one of my seminars who said, “Forget any increase! We simply set our budget to last year’s income. If giving is lower and that means cutting or deferring items, so be it.”

Pro-Active budgeting

The desired budget philosophy I recommend is what I call pro-active or vision-driven budgeting. This is tied to a different budget definition, namely, **“A budget is a process that empowers programs to receive ministry results. It is proactive. It is tied to purpose!”**

Pro-active budget is vision-driven

The incremental budget question, “What can we do?” gives over to the pro-active budget question, **“What should we be doing?”** Moving from ‘can’ to ‘should’ moves the budget process from maintenance to purpose-driven ministry. The proactive budget question “What should we be doing?” then ties the budget to the church’s vision and only includes items in the budget that will help accomplish that vision. This process legitimizes every dollar that is spent.

Pro-active budgeting assumes increased revenue potential

Moving from an incremental approach to a pro-active approach involves moving from assumptions of flat revenue lines to assumptions of increased potential being available if the focus is to resource purpose. Healthy churches plan, they are pro-active, their primary focus is purpose-driven. Unhealthy churches ‘solve problems’, they are reactive, making assumptions about flat revenue lines, constantly fixated on maintaining the system and its attendant problems. It certainly is true that churches have very significant potential in addition to what they get on the budget side. Tapping that potential can be done when new variables get into giving motivation related to accomplishing the church’s vision. A vital part of visioning is to raise the needed money to fund what is included in the pro-active budget to accomplish the church’s purpose.

Pro-active budgeting results in ministry expansion

When the assumption is made that significant additional money is available, the budget question, “What should we be doing?” usually results in new programs, staff additions, facility renovation or expansion so that the church’s vision can be achieved

CONCLUSION

Is the budget process therefore seen by the church as a problem or is it an opportunity? Budgets that are incrementally driven with assumptions of flat revenue lines, consign the church to little more than maintenance ministry. Tie your budget rather to the church's purpose. Ask the question, "What should we be doing?" Such a move to proactive budgeting is a vital component in tapping the church's financial potential to fund vision.