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CENTER FOR CHURCH MANAGEMENT
& BUSINESS ETHICS

Top Five Trends in Catholic Church Finances in the 21st Century



As we move through the early part of the 21st century, the U.S. Catholic Church is feeling stress from a number of directions.

Weekend Mass attendance is on a downward slide, especially among Millennial and Gen X Catholics. Repercussions from the clergy sexual abuse scandal have caused many to question the church's ability to speak as a moral authority. There is a continued decline in vocations to the priesthood and the vowed religious life. These, and other factors have contributed to another problem: the financial strain felt by dioceses and parishes.

While church-wide financial issues like the Vatican Bank garner headlines, the fact of the matter is that the greater threat to the church worldwide is the poor state of its finances at the local level. In the U.S. five trends are primarily responsible for the problem at the diocesan and parish levels, which are outlined in this report.

While the financial issues are daunting, they are not insurmountable. Pope Francis has taken the lead in calling for better management at every level. It is not too late for the U.S. Church to address these issues with better management at all levels. It is ultimately a stewardship issue.



The bottom line is that the U.S. Catholic Church is in financial distress on nearly every level.

The finances of the U.S. Catholic Church in the latter part of the 20th century and the early 21st century have been impacted by five major trends.

At the diocesan level these trends include:

1

The need to close or merge parishes in the Northeast and upper Midwest due to declining numbers of priests and the mismatch between the location of parish facilities (frequently inner-city) and the location of the Catholic population (increasingly in suburban areas).

At the same time the South and Southwest, while also experiencing a decline in the number of priests, have experienced a growth in Catholic population and have the need to construct more parish facilities.

2

The enormous cost associated with the clergy abuse scandal

3

Victimization by a pattern of embezzlements

4

The relatively low level of giving by Catholic parishioners

5

Rising expenditures due to factors such as increased labor costs and facilities maintenance

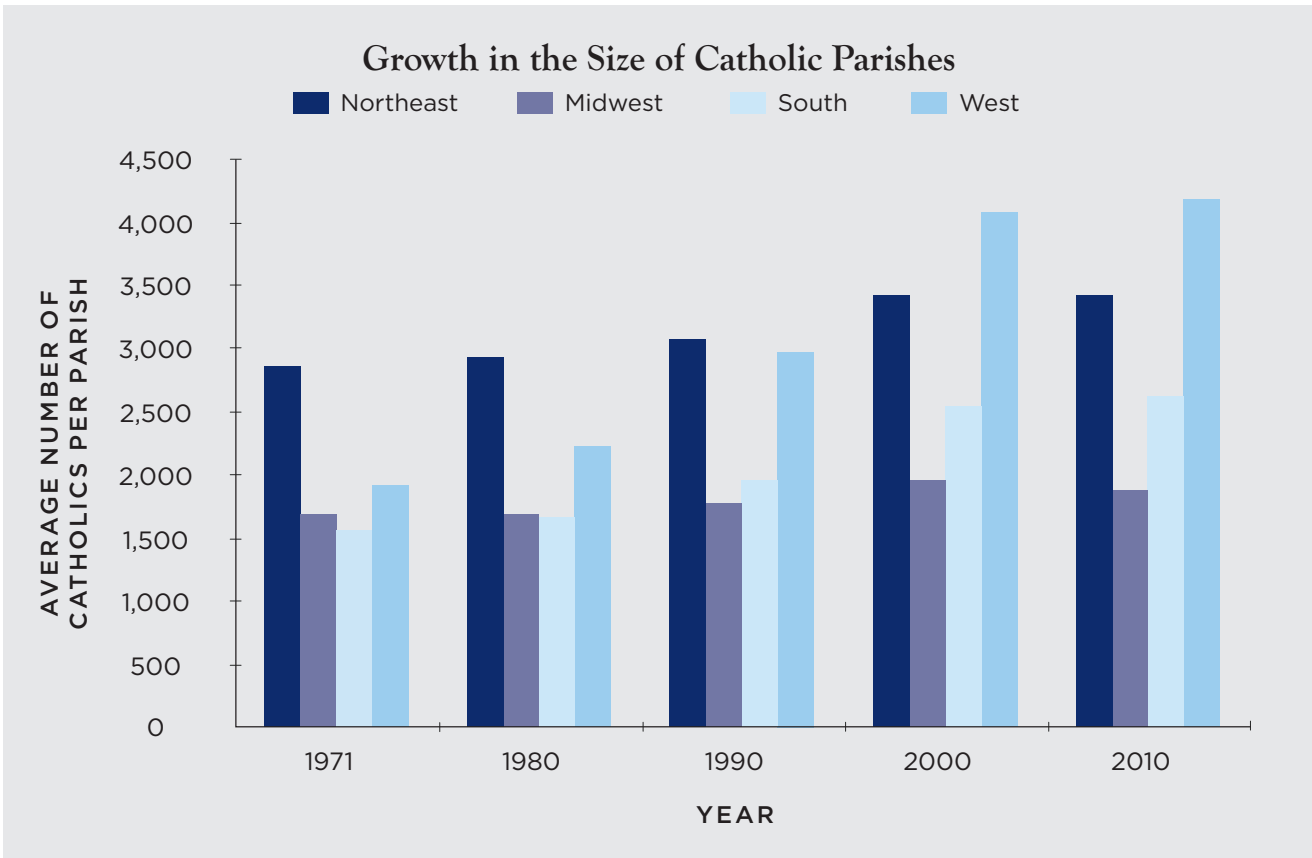
At the parish level these trends include:

Issues Affecting Diocesan Finances

MISMATCH BETWEEN PARISH FACILITIES AND PARISHIONERS

The main issue here is the mismatch between maintaining expensive aging facilities in the inner city, Northeast and Midwest vs. the Catholic population migration to the suburbs and the South and West.

The Northeast and Midwest regions of the country struggle with a large number of facilities that were built in the early to mid-20th century in the inner city, where the majority of Catholics resided. Today those facilities are aging and require enormous maintenance costs. At the same time Catholics have increasingly migrated to the suburbs. Northeast and Midwest dioceses face a double dilemma caused by this mismatch: trying to maintain (through diocesan subsidies) old inner-city facilities that serve few parishioners while trying to find the resources to address the need to build new facilities in the suburbs to meet the needs of the growing Catholic population in



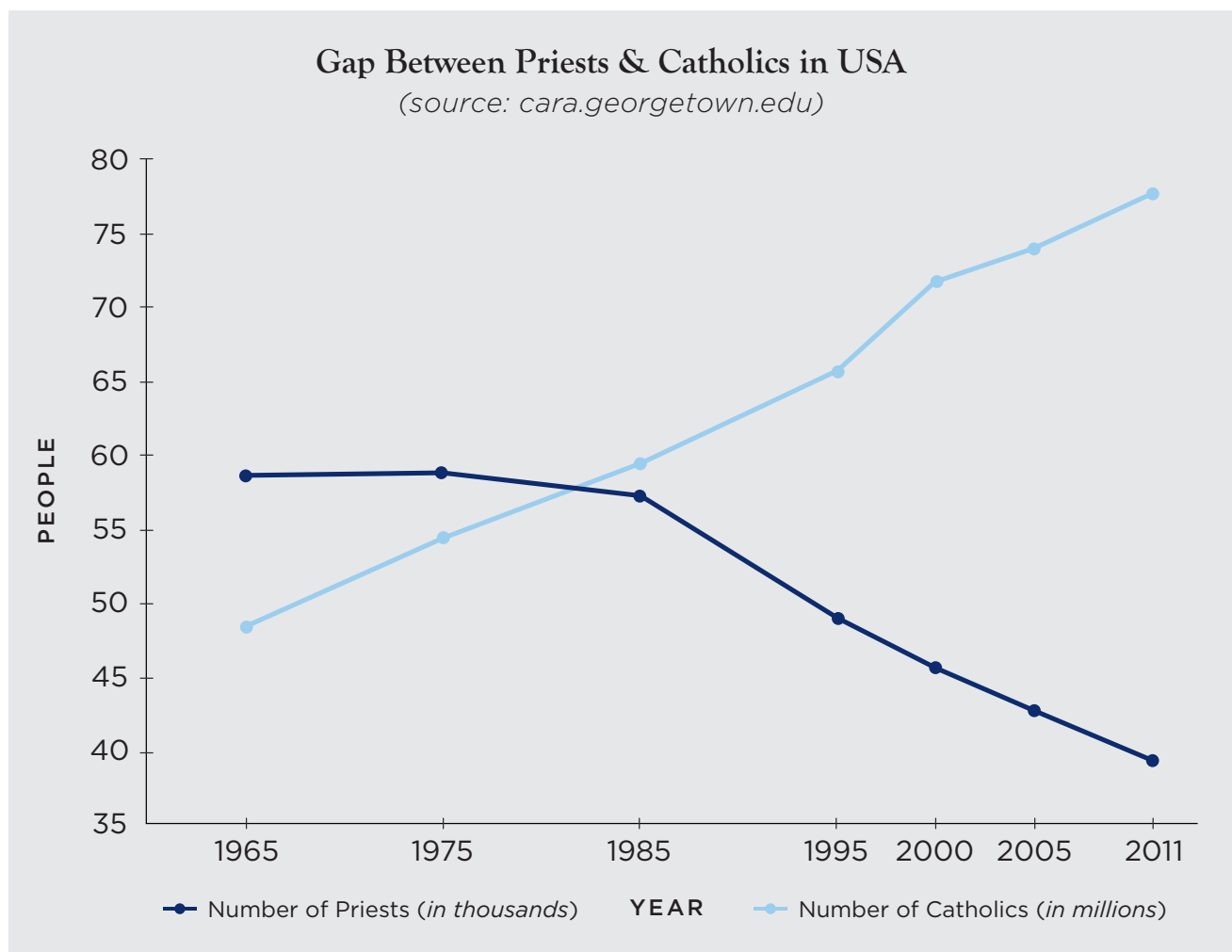
those areas. One necessary solution, although unpopular with parishioners, has been to merge and close parishes and schools, primarily in the inner-city. For example, in 2014 the Archdiocese of New York announced plans to merge or close nearly one-third of its parishes.

The South and West face a similar problem in that immigration (and some migration from the Northeast and Midwest) have put a strain on current facilities, requiring them to locate resources to build new churches and schools to serve the influx Catholics.

Both of these patterns have placed an enormous burden on diocesan finances.

PRIEST SHORTAGE AND RISING CATHOLIC POPULATION

At the same time an absolute decrease in the number of priests, combined with the growing number of Catholics, has placed a strain on dioceses' ability to staff their parishes. This pattern is exacerbated by the mismatch between the location of parish facilities and the location of the Catholic population.



CLERGY SEXUAL ABUSE SCANDAL

While the number of allegations have tapered off in recent years, dioceses are still feeling the financial repercussions. Not just those dioceses that have declared bankruptcy, but every diocese that has paid any funds for the expenses associated with settlements have been hurt financially.

The impact of the scandal can take other, more subtle, financial forms. One is in the trend towards lower Mass attendance, although the scandal is only one cause. Since Catholics contribute primarily through the collection plate, reduced attendance is associated with lower contributions.

The alienation that Catholics feel because of the scandal and the way it was mishandled shows up in other ways. Some dioceses have struggled to reach their goal in their annual campaign (sometimes called the Bishop's Annual Appeal or The Annual Catholic Appeal) to fund social service agencies that they support. Others have struggled to reach fundraising goals associated with capital campaigns.

- *The clergy sexual abuse scandal has cost U.S. Catholic dioceses nearly \$3 billion in settlement costs, attorneys' fees, and therapy for victims and offenders.*
- *12 U.S. Catholic dioceses have filed for Chapter 11 Bankruptcy, with four having yet to be settled.*

CHURCH EMBEZZLEMENTS

A study of diocesan finances revealed that 75% of U.S. Catholic dioceses had experienced one or more cases of embezzlement in the recent past. Some had been high-profile cases, with some individuals stealing over \$1 million and causing negative media attention.

There are two primary reasons for the large amount of theft:

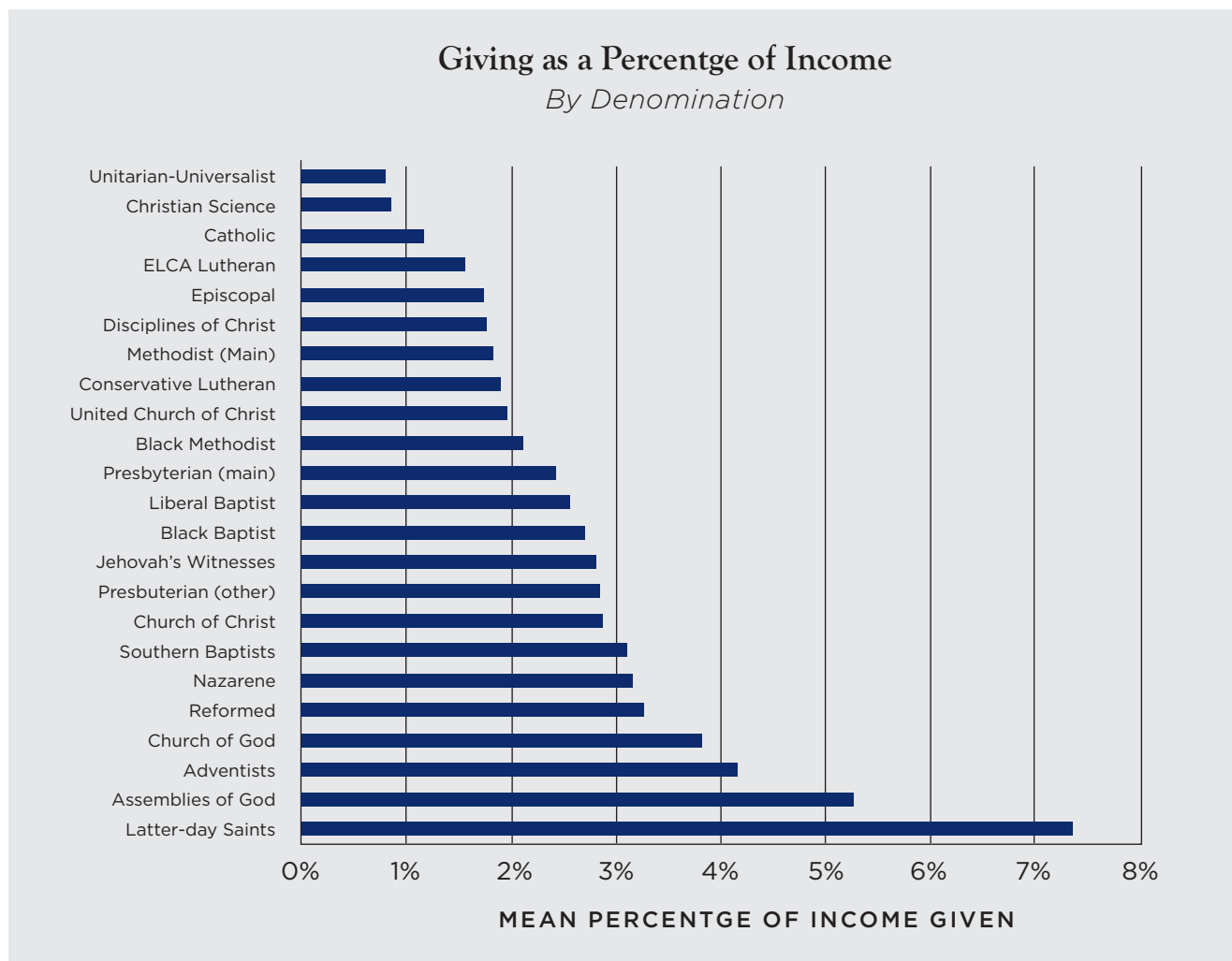
- 1 There has been a failure at all levels to implement basic internal financial controls, such as segmentation of duties or multiple signers on large checks that are commonplace in the business world. Parishes are too trusting—no one would think that a priest or lay worker would steal from the church. And some interpret the implementation of these controls as un-Christian and demonstrating a lack of faith in parish personnel.
- 2 Catholic parishes as a rule are notoriously lacking in financial transparency and accountability. If parishes were more open with their finances, and if parishioners not only knew about church financial matters but also had an input into the decision-making, it would serve as a deterrent to someone thinking of stealing from the parish.

Issues Affecting Parish Finances

Low Catholic giving relative to Protestant giving costs the U.S. Catholic Church almost \$8 billion a year. As a result of low giving by parishioners and rising expenditures, 24% of parishes were operating at a loss in 2013 and 8% received diocesan subsidies.

PARISH REVENUE

Catholics contribute about half as much to their parish, on a percent of income basis, as Protestants contribute to their congregations.



The typical Catholic household has been found to contribute 1.1-1.2% of their income, while the typical Protestant household contributes 2.2-2.5% of their income. If the typical Catholic household contributed at just the same rate as the typical Protestant household, a parish would double its revenue.

While the weekly offertory collection provides the bulk of parish revenues many parishes supplement their revenue through other collections and a variety of fund-raisers. These include block collections, building funds, raffles, etc.

10%

*of the median parish
received its revenue through
these supplementary
programs in 2013*

3.6%

*of the parishes raised no
supplemental revenue*

7.7%

*of the parishes
received 50% or more
of their revenue
from these sources*

PARISH EXPENSES

There is an under-funded deferred maintenance issue. Even wealthy parishes typically have done a poor job setting aside funds to be put towards preventative maintenance. So every facilities breakdown (roof, boiler, etc.) results in a financial emergency since the facility wasn't properly maintained in the first place.

1

Parishes own a vast number of facilities including church buildings, schools, rectories, etc., that require regular maintenance.

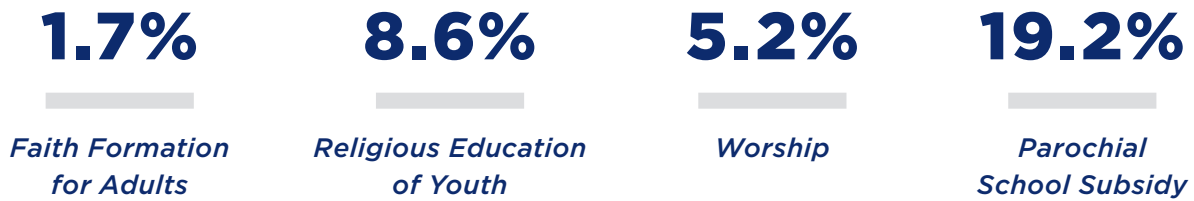
- The average parish church building was 61 years old in 2010
- Nearly a third (31.2%) were more than 80 years old

2

There has been a substantial modification in the parish work force. Where once parishes were staffed almost entirely by volunteers and vowed religious who were paid next to nothing, today they are staffed primarily by paid laity, many with advanced degrees and anticipating compensation in line with their professional status.

- On average parishes employed 4.5 paid staff (full or part time)
- Of these, 85% were lay men and women, with the remainder coming from among deacons and vowed religious
- Their median annual salary was \$31,000 and 14.1% earned more than \$50,000

Other typical parish expenses include:



SOLUTION

Implementation of better management is needed at every level. Dioceses and parishes can no longer be run like mom and pop stores. The Church is not a business but it does have a stewardship responsibility to utilize its resources effectively.

Among other policies each parish should hire (or at least share with another parish) a professionally trained parish business manager or parish administrator who will relieve the pastor of some of the burdens of his governance role. This person, while reporting to the pastor, could take over primary responsibility for facilities management, parish finances, and human resources, freeing the pastor to focus his energies on teaching and sanctifying.



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The center offers a Master's of Science in Church Management, as well several non-credit programs in Church management throughout the year. Through collaborations with organizations such as the Pontifical Lateran University in Rome, Our Sunday Visitor publishing company, and various seminaries and dioceses across the country, the center works to help Church leadership be good stewards of their resources, use their facilities effectively, and build a stronger Church.

The center also works with VSB faculty and students to ensure that business ethics are at the core of what we do.

*For more, visit **churchmanagement.villanova.edu**.*

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