

Present WELS Financial Problems

by

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Outline

Thesis: Current WELS financial problems center in two areas: the present budget setup and the Pre-Budget Subscription system.

I. Problems in the Budget Setup

A. Description of the present budget setup

B. Description of problems

1. Responsibility for the budget is divided too widely.
2. The present setup could easily create tension between the Coordinating Council, the Board of Trustees and the Conference of Presidents.
3. The Coordinating Council is free from financial control.

C. Solutions

1. Ones already being tried
2. Suggestions

II. Problems in the Pre-Budget Subscription system

1. When it establishes the budget for the next two years, the Coordinating Council has subscriptions for only the next six months and has to estimate for the rest.
2. The Coordinating Council has not been very realistic in projecting subscriptions recently.
3. Sometimes the Coordinating Council or the Board of Trustees or the Synod has more or less ignored what Congregations indicated via their subscriptions.
4. Sometimes congregations do not meet their subscriptions.

The Wisconsin Synod and finances--the two seem never to have gotten along very well. It seems as though our Synod has always been short on money. That's the way it was during our Synod's early history. Back in 1858, in the Proceedings of that year, we find our Synod thanking the Pennsylvania Ministerium for a gift of \$300: "In conclusion we still have the pleasant duty of expressing our heartiest thanks to the Evangelical Lutheran Synod of Pennsylvania publicly for the support of \$300.00 which it granted us in the last year." 1 This monetary gift went toward the support of pastors in our Synod who were serving extremely poor congregations and who otherwise may have had to quit or move somewhere else. Again in 1863, when our Synod decided to build a seminary in Watertown, WI, Synod President John Bading was sent to Europe on a fund-raising tour to help finance this project. Enough money was raised to build the school, but by 1869 the school was already \$3,373 in debt. 2

Twenty-five years later things didn't look much better. In fact, they look considerably worse. In 1896, shortly after building a new seminary in Wauwatosa, our Synod had a debt of over \$40,000. 3 By 1929 that debt had mushroomed to over \$700,000--crisis time! 4 (By today's standards that \$700,000 debt would be equivalent to a debt of about \$5.5 million.) It took our Synod until 1944 to erase that debt. 5

Even though we aren't \$5.5 million in debt today (or even \$700,000 for that matter), we have hardly overcome our financial difficulties. Our Synod is still short on money more often than

not. In fact, just last year, in order to avoid going back about \$1,000,000, our Synod conducted a special Lenten Offering which raised \$1,046,247 and salvaged the fiscal year. But why? Why is our Synod perpetually playing in the pink or in the red? Why does our Synod have such financial problems? I am convinced that the problems center in two basic areas: the setup of the budget and the Pre-Budget Subscription system.

First of all, let's take a look at the way in which the budget is set up. In the Synod constitution the budget process is described as follows: The first step in the budget process is that the five Synodical divisions and the Board of Trustees look at their needs and programs for the next 6 years, or 3 bienniums, (the last 4 years, of course, are just an estimate) and draw up budgets for their divisions. Our Synod runs on a biennium, a two-year cycle, because it meets in convention every other year. Then all five divisions and the Board of Trustees present their budgets to the Coordinating Council.

The Coordinating Council (abbreviated C.C.) consists of the Synod president, the two Synod vice-presidents, the chairman of each of the five divisions, the chairman of the Board of Trustees and six lay representatives selected at large from the Synod--fifteen members in all. The administrators for the five divisions, the administrator for the Board of Trustees, the administrator for the Commission for Communication and Financial Support and the director of finance are advisory members. The Coordinating Council is responsible for drawing up the Synod's

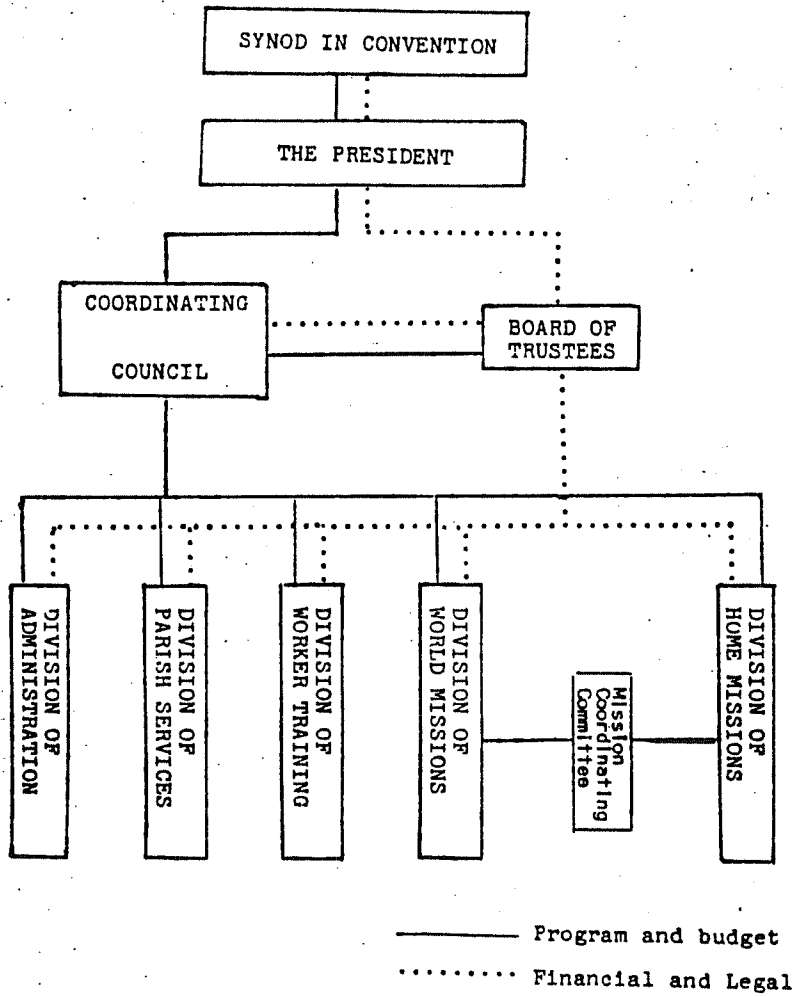
budget. It takes the budgets submitted by the different divisions and reviews them to see that they are both sensible and in keeping with the Synod's goals and objectives. The C.C. also has the job of anticipating how much money the Synod will take in during the next two years. Then, looking at the budget requests from the divisions and the projected income, the C.C. puts together the budget for the next two years.

After that, the C.C. submits its proposed budget to the Board of Trustees which is responsible for fiscal integrity. The Board of Trustees is made up of a chairman, who is elected by the Synod, and a representative from each of the twelve districts. The Board of Trustees checks the budget proposed by the C.C. to make sure that it is fiscally sound and either approves it or sends it back for revisions.

Once approved by the Board of Trustees, the proposed budget can then be presented by the C.C. to the Synod Convention for approval. The Synod Convention, however, can make changes in the proposed budget. If the Synod Convention does make any changes which make the budget unbalanced, the budget goes back to the C.C. for adjustment so that the proposed budget does not exceed anticipated income. If the C.C. can not balance the budget, then it goes to the Board of Trustees which must balance it.

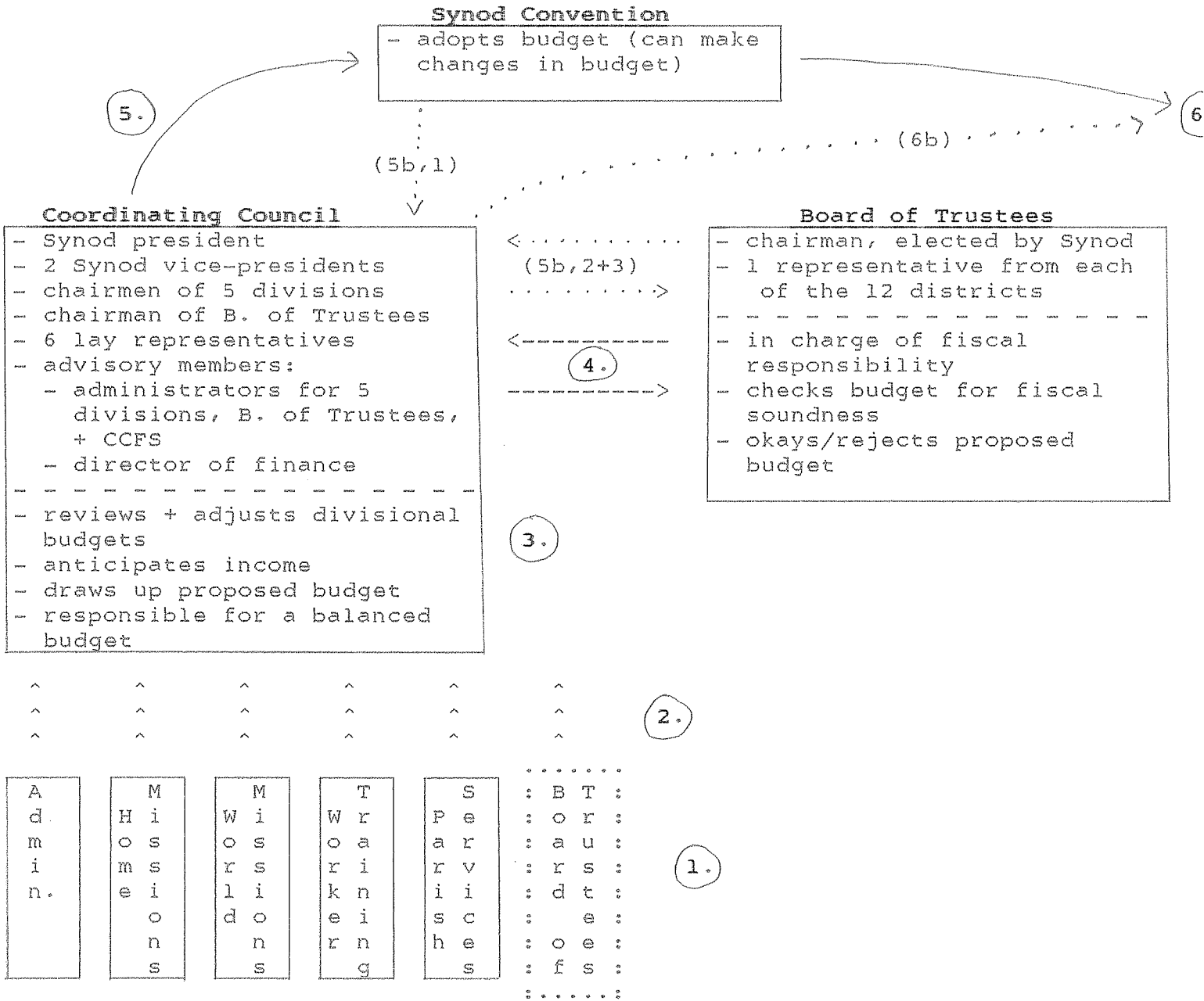
To help you get a grasp of the budget process perhaps a diagram would help. This is how the budget setup is pictured in the Proceedings of 1985, the year in which the present setup was adopted:

Chart showing Organizational Relationships for
the Coordinating Council (Program and Budget) and
the Board of Trustees (Financial and Legal)



Isolating the budget process and adding a few details would give you a diagram something like this:

Present Synod Budget Set-up

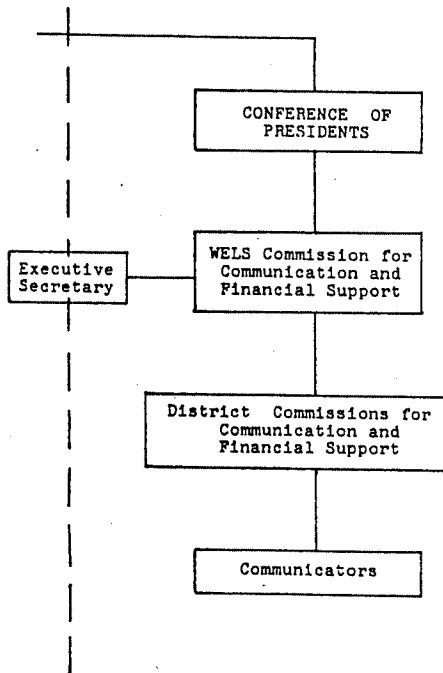


Description of Process

1. Each division, along with Board of Trustees, draws up its budget.
2. All divisions + B. of Trustees submit their budgets to Coordinating Council.
3. The C.C. projects income and draws up proposed Synod budget.
4. The C.C. submits recommended budget to Board of Trustees, which checks it for financial soundness.
5. The C.C. submits recommended budget to the Synodical Convention for approval. (5b. If the Synod Convention adds to the budget, the C.C. has to revise it so that the budget does not exceed anticipated income. If the C.C. can't balance the budget, then the B. of Trustees must.)
6. The budget is turned over to the Conference of Presidents who are responsible for funding it.

That is how the budget is drawn up for a particular biennium. But how the budget is funded--that's a different story. The 1985 Proceedings picture the funding of the budget like this:

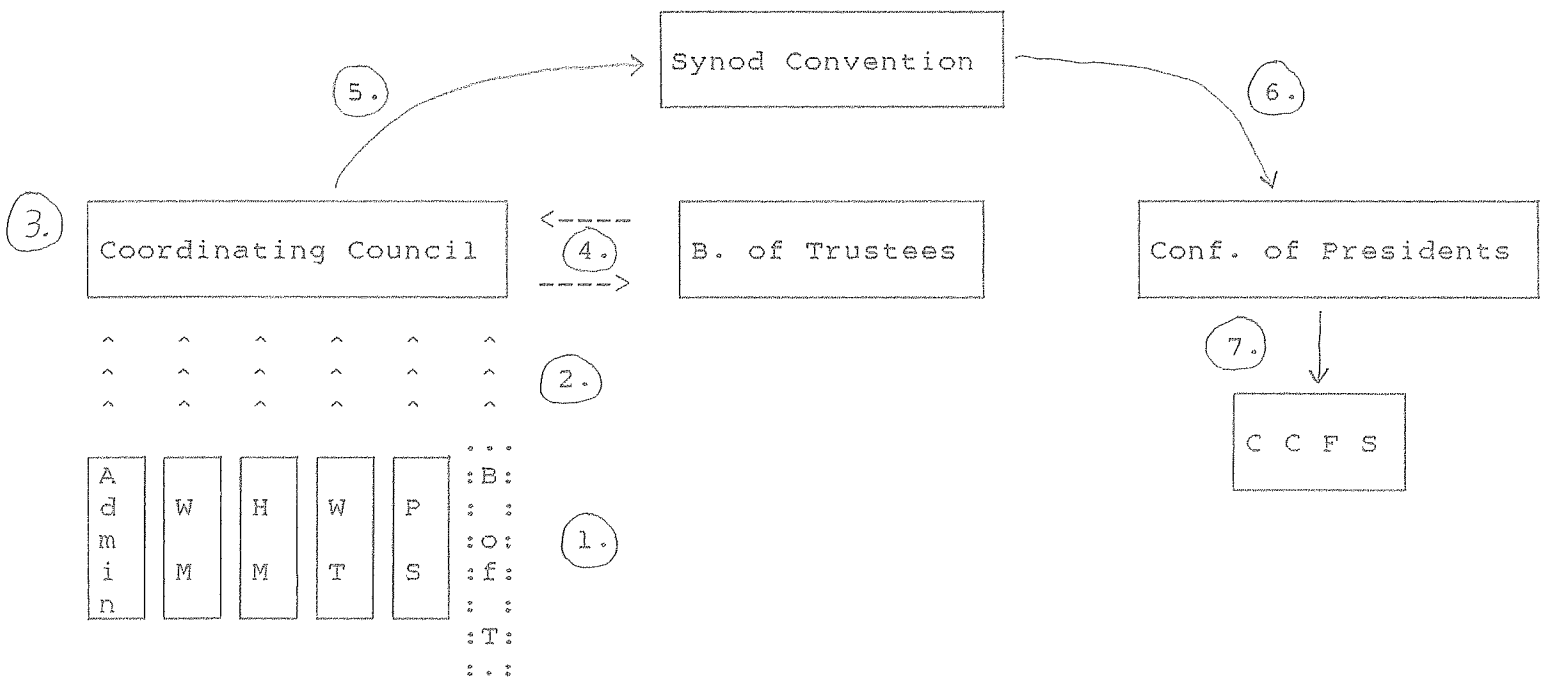
Chart of Synod-Related Affairs
of the District Presidents
Relative to Funding of the
Synodical Budget



As you can see from the diagram, it is the Conference of Presidents that is responsible for funding the budget. The Conference of Presidents is made up of the Synod president, the two Synod vice-presidents, and the twelve district presidents. They are assisted in this duty of funding the budget by the Commission for Communication and Financial Support (abbreviated

CCFS). The CCFS consists of the second vice-president of the Synod (who is the chairman), one pastor, one teacher, four laymen and an administrator who is an advisory member. The CCFS's job is 1.) to "serve under and as an arm of the Conference of Presidents, assisting the district presidents in carrying out their responsibility for funding the synod's budget," and

2.) to "develop programs and mechanics for marshaling the financial resources of the synod and for establishing and maintaining clear lines of communication between the synod's leadership and congregations." 6 If we were to put the whole budget process (formulating and funding) together, it would look something like this:



As it's set up, I see at least three problems or potential problems in the budget process. First, the present setup divides the responsibility for the Synod's budget too widely. No one

person or board is directly responsible. I suppose you could argue that the Board of Trustees is responsible, since they have fiscal responsibility. Yet they are not responsible for funding the budget; the Conference of Presidents is. The responsibility is still divided.

Let's imagine for a moment that there are financial problems during a particular biennium. Let's say that the expenditures exceed the income by \$500,000. Who should the Synod president or the administrator for the Board of Trustees go and see to find out the reason for this? Should he pay a visit to the Conference of Presidents? They didn't set up the budget. They can't help it that the projected income figure was too high or that the projected expenditures figure was too low. Should he go and see the Board of Trustees? They didn't anticipate the income or the expenditures. Those figures came from the Coordinating Council and they looked all right at the time. And besides, they can't help it that the Conference of Presidents and the CCFS didn't promote the budget enough and raise enough money. Well, should he go and talk to the Coordinating Council then? The C.C. only drew up the budget. They aren't responsible for funding it. That's the job of the Conf. of Presidents and the CCFS. Besides, their proposed budget was approved by the Board of Trustees and adopted by the Synod in convention. Certainly it's not their fault. So who is responsible? They all are, because they all had a part in it. And yet none of them is.

A second problem or potential problem in the present budget

process is that this setup could easily lead to tension between the different boards and commissions involved in the budget process, especially between the C.C., the Board of Trustees and the Conf. of Presidents. If problems arise in the budget during the course of the biennium--say, for example, expenditures were to surpass income by 1/2 million dollars--the Conf. of Presidents might be tempted to jump on the C.C. and the B. of Trustees for recommending an unrealistic budget, one in which the anticipated income figure was unrealistically high, or the anticipated expenditures figure was unrealistically low, or both.

The Board of Trustees could accuse the C.C. of the same thing. On the other hand, they could also criticize the Conf. of Presidents and the CCFS for not promoting the budget enough and not motivating congregations to give more. The Coordinating Council could lodge the same complaint against the Conf. of Presidents and the CCFS.

Tension could also easily arise during the fourth step of the budget process, when the Board of Trustees checks the budget proposed by the C.C. for fiscal soundness. If over the years the projected income figures were consistently on the high side, the Board of Trustees might begin to think that the Coordinating Council is not very responsible financially, but too geared to programs. On the other side of the coin, if the Board of Trustees were constantly rejecting their budgets and sending them back for revision, downward revision, the C.C. may begin to view the members of the Board of Trustees as a bunch of sticks in the

mud, a bunch of stingy pessimists who are holding back the Lord's work and the growth of the Synod. Hopefully, because the people working on these boards and commissions are all Christians, such tension and bad feelings have not and will not develop. But they could. The potential is there because of the way in which the whole budget process is set up.

A third problem in the arrangement of the budget process is that the Coordinating Council, the board that draws up the budget, is free from financial responsibility or control. It is responsible neither for financial integrity nor for funding the budget. In the Proceedings from the 1987 Convention you will find the following description of the C.C.'s work:

$$\begin{array}{|c|} \hline \text{Available} \\ \text{Monetary} \\ \text{Resources} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Existing} \\ \text{Work} \\ \text{Program} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{New} \\ \text{Programs} \\ \hline \end{array}$$

The equation represents the Synod Budgetary Fund operations. The resources are the funds that we have to work with to carry out programs. The work program is the work we are currently doing. It is the C.C.'s responsibility to determine on [sic] what programs are carried out in the work program in accord with the overall direction of the Synod in convention. 7

Now if "Available Monetary Resources" were a fixed figure, there would be no problem. All the C.C. would have to do is decide which old and/or new programs could be funded for that amount of money. But "Available Monetary Resources" is not a fixed figure. It's an estimate, an estimate made by the C.C.. When the C.C. draws up the budget prior to the Synod Convention, it knows how many old programs need to be funded during the next biennium and how much they will cost. It also knows how many new

programs are being requested and that these programs are not superfluous but very important. Some may even have been approved by previous Synod Conventions, "subject to funding." What they C.C. doesn't know is how much money it has to work with over the next two years. It has an idea. It has subscriptions from the congregations of the Synod, but those are only for the next six months. For the rest of the biennium, eighteen months, it has to estimate.

Now let's say that in drawing up the budget, the C.C. sees that, because of the cost of inflation, a conservative estimate of "Available Monetary Resources" would barely cover the cost of the existing work program, allowing no new programs. What is it supposed to do about all those requests for new programs, necessary programs, convention-approved programs? The C.C. has three choices: Either it can put all new programs on hold, or it can drop some of the old programs to make room for some new ones, or it can use a higher, less conservative estimate of "Available Monetary Resources," which would allow some new programs to be funded without cutting old programs. Which would you rather do, hold up programs which are desperately needed and have already been approved by the Synod; or cut out a present program like several issues of the Northwestern Lutheran or the Call Orientation Seminar for the graduating seniors at the Seminary, programs that have been very beneficial to the Synod and its work; or guess that congregations might give a little more during the next two years? And remember, being on the C.C., you are not

in charge of fiscal responsibility, the Board of Trustees is. If you decide to go with a higher anticipated income figure and the Board of Trustees thinks it's too high, they'll send it back for revision and then you can go with the more conservative figure. On the other hand, if the Board of Trustees approves it and so does the Synod Convention, then it's out of your hands. Then it's up to the Conf. of Presidents and the CCFS to motivate the congregations to give more money. You did your job though. You got some of those new programs into the budget.

Sound absurd? I hope not. Let me give you an example of it happening. In 1983 the C.C. was faced with just such a situation. Due to cutbacks in programs, the 1982-83 fiscal year had closed with a balance of \$184,195, 8--not a lot, but at least it was a positive balance. The Synod hadn't closed with a positive balance since June of 1978. 9 Looking ahead at the next biennium, the C.C. couldn't help but notice a vast difference between the anticipated income and the budget requests from the divisions: \$1,411,577 for the first year of the biennium and \$1,568,965 for the second year. 10 In addition to that, congregational subscriptions were not keeping pace with what was requested of them. During the past two years congregations throughout the Synod had been asked to increase their subscriptions by 8% each year. In 1982 they had raised them only 6.1%; and in 1983 only 3.7%. 11 The C.C. expressed its concerns regarding this situation in its report in the 1983 BoRaM:

The program reductions of the past biennium have been painful. In many cases they have seriously affected the

ability of units to perform their assigned functions. But responsible management of our resources left no alternatives.

The program reductions for the next biennium are even deeper and more painful. The C.C. is convinced that it has gone as far as it can in scaling back existing programs. The next step is elimination of existing ones. 12

What did the C.C. decide to do? It recommended a budget of \$14,916,000 for 1983-84, which included a 6.9% increase in subscriptions, and a \$16,116,000 budget for 1984-85, which included a 7.9% increase in subscriptions. 13 Those budgets were adopted by the 1983 Synod Convention in the following resolution:

Resolution No. 17

- WHEREAS 1) God will enable our Synod to continue to offer the world the freedom that comes through the Word; and
- WHEREAS 2) The proposed budget is a vital part of that great work; and
- WHEREAS 3) The adoption of this budget places a tremendous privilege and responsibility upon our Synod, its leaders, and its congregations; and
- WHEREAS 4) This convention has adopted a number of resolutions which will cause an even greater strain on the Synod's already hard pressed budget; and
- WHEREAS 5) The Coordinating Council is convinced that it has gone as far as it can in scaling back existing programs; and
- WHEREAS 6) If further cuts are necessitated by continued pre-budget subscription shortfalls, they will result in the elimination of existing programs; therefore, be it
- RESOLVED a) That the recommended budgets as amended for 1983-84 and 1984-85 be adopted; and be it further
- RESOLVED b) That we direct the Conference of Presidents and the Stewardship Board (now it would be the CCFS) to conduct a vigorous program of revenue enhancement throughout the Synod with confidence in God's abundant blessing on their labors. 14 (my emphasis)

A resolution like that may sound very good on paper, but it doesn't fund the budget. The plain hard truth is that one year later, in June of 1984, the Synod was approximately \$800,000 in the red. 15 If the present budget setup is going to work, the C.C. needs to be realistic in anticipating income. I realize that the C.C. has some extremely difficult program decisions to make. What programs do you fund? What programs do you leave out or cut out? My heart goes out to them when I read a report like this:

The fact remains, however, that the requests of the various divisions without any new programs exceed anticipated income of [sic] \$2.6 million. So a number of existing programs are at risk. ...

The worker training division has eliminated \$516,342 worth of programs during the past biennium. Program reductions and postponements in this division have resulted in further budget reductions of \$347,335 and \$129,611 respectively. ... During the next fiscal year this will result in the reduction of six and one half faculty positions, three full-time auxiliary staff, seven part-time, as well as reduction of hours and/or benefits for other personnel. ...

The final outreach team in home missions is being eliminated. ... New mission openings will be reduced to perhaps four from the 16-20 that had been planned. ... Subsidy for inner city schools is in peril.

The seventh missionary in Japan has not been replaced and the possibility of deferring other replacements is very real. ...

The 1985 convention created the Commission for Communication and Financial Support. But the production of most of the materials this commission needs to carry out its synodical mandate is in jeopardy.

.... To complete the picture we also need to consider potential new programs, many of which have already been approved by the synod in convention, as well as the restoration of programs temporarily eliminated. A partial listing, in no order of priority, follows:

Music instructor at Michigan Lutheran Seminary (request withdrawn at this time)

Shared time ministry to make maximum use of our candidates

Director of planning and programing for the Coordinating Council

Graduate assistants for district presidents

Use of vicars in selected home mission fields

Campus ministry counselor to develop aggressive local congregation campus outreach ministries

Program coordinator for Special Ministries

Fourth missionary for Taiwan

Seventeenth missionary for Central Africa

Missionaries four and five for Brazil

Full-time campus pastors in Minneapolis and East Lansing

Dakota-Montana/Minnesota district mission counselor

An executive secretary for the Board for Stewardship

Adequate funding for district boards, particularly with the newly-formed parish services division

Workshop for circuit pastors in view of their revised role

A return to 20-25 home mission openings annually

Secretary of secondary education 16

As I said, my heart goes out to them in such a situation. But that is their job, to evaluate, coordinate and develop programs in keeping with our Synod's resources and mission. And in doing their job, the C.C. needs to be realistic in projecting income for the budget. The budget is not the place to promote programs. The place to promote programs is in the Northwestern Lutheran or at District Conventions or through the recently created CCFS, but

not the Synod budget. You don't promote projects by putting them in the budget and then expecting people to fund them. It may work from time to time, but more often than not it leads to debt.

Has the Coordinating Council been very realistic in projecting income over the years? Let's take a look at the last six fiscal years:

<u>Fiscal Year</u>	<u>Projected Income</u>	<u>Actual Income</u>
1981-82	\$13,813,000	\$13,373,590
1982-83	\$14,904,000*	\$14,252,228
1983-84	\$14,916,000	\$14,461,708
1984-85	\$16,116,000*	\$14,796,906
1985-86	\$16,845,000	\$16,144,678
1986-87	\$17,246,000*	\$17,832,045 a

* - Projected in previous year prior to Synod Convention
 a - includes \$1,046,247 of special Lenten Offering, which, if subtracted, gives you \$16,785,798

The Coordinating Council has been consistently high, by anywhere from \$400,000 to \$1.3 million. As I said before, if the present budget setup is going to work and our Synod is going to remain solvent, the C.C. has to be more realistic in projecting income. It can not let programs dictate the budget. It has to be responsible financially.

It's rather significant to note what the 1969 Administration Survey Commission, which originally set up the Coordinating Council, said when the C.C. changed its responsibility from "coordinating the immediate and long-range work programs of the various divisions with reference to their budgetary expenditures" to "presenting to each Synod convention a comprehensive, balanced program, reflecting a long-range planning process, by which the Synod may best achieve its objectives in keeping with

its total resources." 18 The commission warned,

Secondly, the Coordinating Council is convinced that primary responsibility for the budgeting process should be vested in that body which is also engaged in the planning process. **It is awkward, if not unrealistic, to separate planning from supporting budgets.** 19 (emphasis, mine)

"Well, why don't we give the job of drawing up the budget back to the committee that did it before, the Board of Trustees," you might suggest. That may or may not be such a good idea. Ostensibly, it should work because the Board of Trustees is charged with fiscal responsibility and therefore should be more conservative about projecting income. But the record of recent past doesn't support that. First of all, you have to remember that all those budget income estimates from 1982-1987, which I quoted to you before, were all approved by the Board of Trustees.

Secondly, let me refer you to the 1985 Proceedings. The Synod had finished the 1984-85 fiscal year with a balance of \$3,737. If ever there was a time to be conservative, this was it. Looking back, the Board of Trustees could see that congregations had raised their subscriptions 2.5% in 1984 and 2.5% in 1985. In spite of that the Board of Trustees recommended a budget for 1985-86 of \$16,845,000, an increase of \$1,445,000 or 9.4% over the previous year. This included a 6.6% increase in subscriptions. How could they justify such an increase? Here is their explanation:

We are of the firm conviction that this is a budget which should--**we could almost say "must"**--be reached. Every effort has been made to pare expenses on current programs. New programs have been kept to a bare minimum despite the many compelling opportunities which lie before us. In view of the rich blessings which God has showered upon us as a

church, as a nation, and as individuals, it would be difficult to justify any further shrinking of the budget. The only viable option is increased offerings. 20 (emphasis, mine)

Again we see programs dictating the budget. That just doesn't work--no matter how necessary the programs are. It only leads to financial problems. Without the special Lenten Offering last spring our Synod probably would have gone back over a \$1,000,000. I will repeat what I said before: the budget is not the place to promote programs. Whether the Coordinating Council does it or the Board of Trustees makes little difference.

What is being done to correct these problems? A number of things. First off, the Coordinating Council has recognized some of its problems. In its report in the 1987 BoRaM the C.C. admitted,

The Coordinating Council frankly confesses that it is having increasing difficulty carrying out its responsibilities in the following areas:

- a) evaluating the program and budget of each division of the synod on the basis of its contribution to the synod's continuing purpose and objectives;
- b) evaluating the contribution each program is making toward the achievement of the synod's objectives;
- c) developing and maintaining a strategic plan with established priorities for the synod.

Once a program is in the budget, it is difficult to measure how its contribution to the synod's continuing purpose compares with that of a potential new program. 21

In view of this the C.C. requested the establishment of the position of Director Planning and Programing, something the 1985 Administration Survey Commission also recommended. The only problem is that the resolution to establish this position was defeated at the 1987 Convention. Still it is something to keep in mind for the future.

Since the convention the Coordinating Council has taken other measures to help it get a handle on the programs of our Synod. It is trying out a new budget process called "the Decision Package Approach." This is being tried out by the Parish Services Division and the Fiscal Services Division. The Decision Package Approach works something like this: First, each division breaks its budget down into packages. A package might be one new exploratory mission, a TCW team, another professor at the Seminary, etc.. Secondly, each division, using these "packages," builds up or fills up a certain %, say 75%, of its budget. Each division fills up that percentage of its budget with those packages or items which it feels are the most necessary. Thirdly, each division, again using these packages, builds its budget all the way up to 110%, putting these packages in an order of priority. Fourthly, the C.C. determines which packages, if any, go into a particular division's budget after the 75% level. In doing so, however, the C.C. can not change any division's order of priority for its packages. If any packages are put in the budget, they have to be put in in order, starting with the first package listed above the 75% level.

The benefit of this method is that it will enable the C.C. to see what programs each division considers most essential, what programs each division would cut out if it had to do with less, and what programs each division would add if it had more money. This undoubtably will help the C.C. weigh the importance of the different programs in a division and between the divisions, and

weigh the importance of old programs to new ones. 22

In addition, since January 1988, all the divisions of Synod have been testing another budget approach process which is quite similar to the Decision Package Approach. First, all the divisions were asked, "What would you do if you had only 95% of your budget? What programs would you cut out?" Then each division was also asked, "What would you do if you had 105% of your budget? What programs would you include after the 95% level and in what order?" Again the C.C. will decide what packages or programs will go into the budget above the 95% level, without changing the priority listing of packages set up by the division. Naturally, this too is designed to help the C.C. evaluate the importance of programs. 23

To help alleviate some of its problems in projecting income, especially in projecting subscriptions from congregations, a three-year subscription program was recommended by the C.C. to the last Synod Convention and was approved. Having subscriptions from congregations for three years, the C.C. won't have to guess what congregations will give for 18 months of a biennium. But more about this later when we get the Pre-Budget Subscription system.

All of these measures I am sure will help, but I do not believe that they will solve our Synod's budget problems, especially the more basic problems, problems inherent in the setup. To solve these problems I suggest a change in the setup. Essentially, the change involves in the makeup and

responsibilities of the Coordinating Council. Since the Board of Trustees has fiscal responsibility, since they are responsible for keeping our Synod in the black, they should and would be included in the C.C. Since the Conference of Presidents is responsible for funding the budget and has to live with whatever budget is adopted, they too should and would be included in the C.C. Since the different divisions of the Synod actually carry out the Synod's work and have a vital interest in what programs are included in the Synod's budget, they should and would be represented by their chairmen. The administrators, since they are responsible for carrying out the Synod's work on a day to day basis and probably know more about all that is going on in their divisions than anyone else, should and would be included, but in an advisory role. The make-up of the Coordinating Council would then look like this:

the Synod president (chairman)
the two Synod vice-presidents
the 13 members of the Board of Trustees
the 12 District Presidents
the 5 divisional chairmen

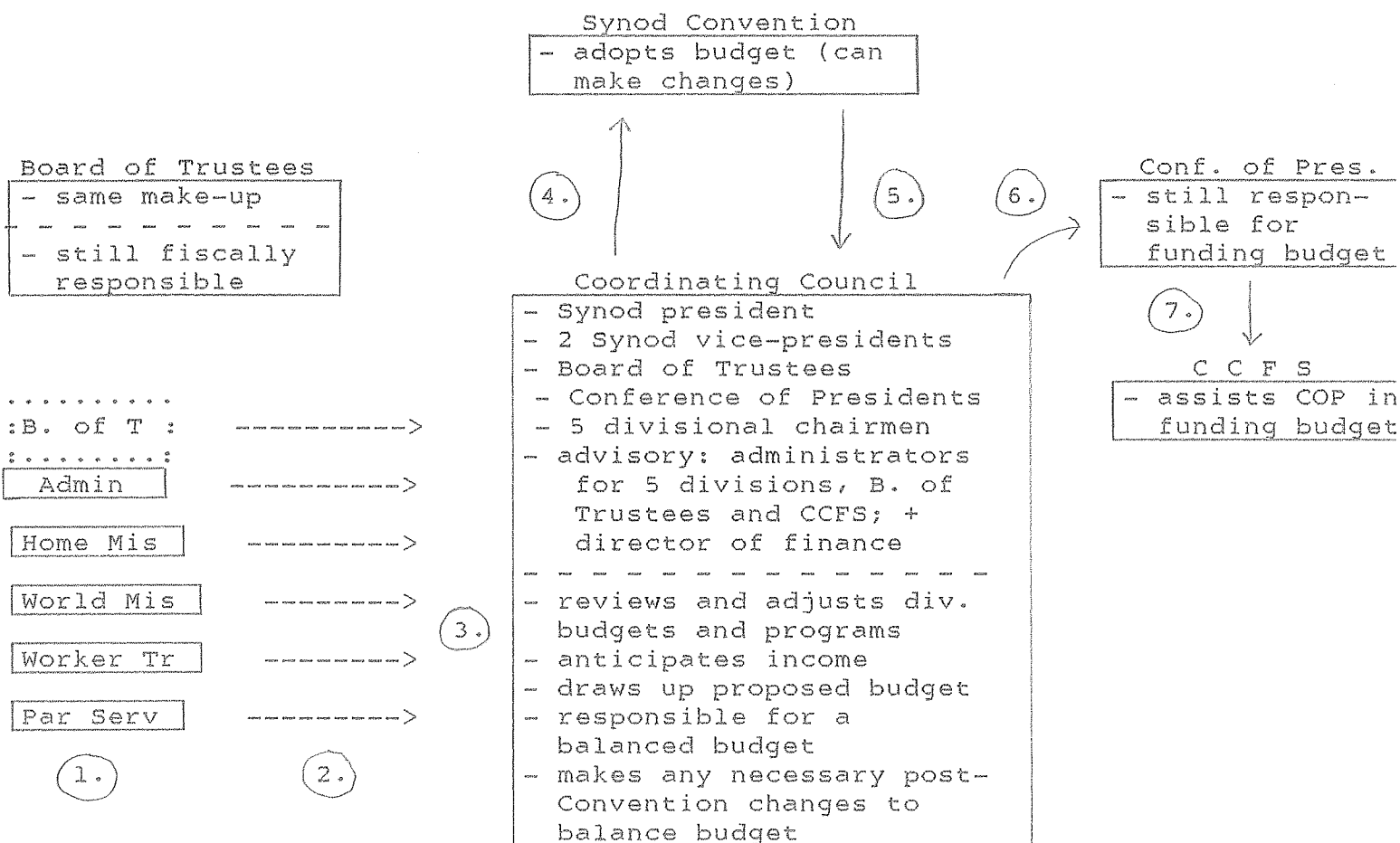
advisory members:

- the administrators of the 5 divisions, of the Board of Trustees, and of the CCFS
 - the director of finance
- (33 members + 8 advisory members)

The duties of the C.C. with respect to the budget would be these:

- a) to review and adjust the budgets and programs of the divisions;
- b) to anticipate income;
- c) to draw up the proposed Synod budget and present it to the Synod in convention;
- d) to make any necessary adjustments after the Synod Convention, if the Convention has made any changes in the budget; and
- e) to be responsible for a balanced budget.

The Board of Trustees would maintain fiscal responsibility but could carry out this responsibility more effectively, being included in the Coordinating Council. The Conference of Presidents would remain responsible for funding the budget, but would have a say in the planning stage before the budget is adopted, being included on C.C. The whole budget process would then look like this:



Description of Process:

1. All 5 divisions and Board of Trustees draw up budgets.
2. All 5 divisions and Board of Trustees present their budgets to the C.C..
3. Coordinating Council draws up Synod budget.
4. Coordinating Council presents proposed budget to Synod for adoption.
5. If Synod Convention has made any changes, the C.C. makes necessary changes to balance budget.

6. Budget funded by Conference of Presidents.
7. CCFS assists Conference of Presidents in promoting and funding budget.

This setup I believe would remedy the basic problems inherent in the present budget setup, namely, the responsibility for the budget being divided too widely; the potential for tension between the C.C., the Board of Trustees and the Conf. of Presidents; and the Coordinating Council's being free of fiscal control and hence not always realistic in projecting income. It would also bring the budget process more in line with the overall organizational setup of the Synod recommended by the 1985 Administration Survey Commission, which looked like this: (see next page)

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spirit of cooperation
 work as a commission

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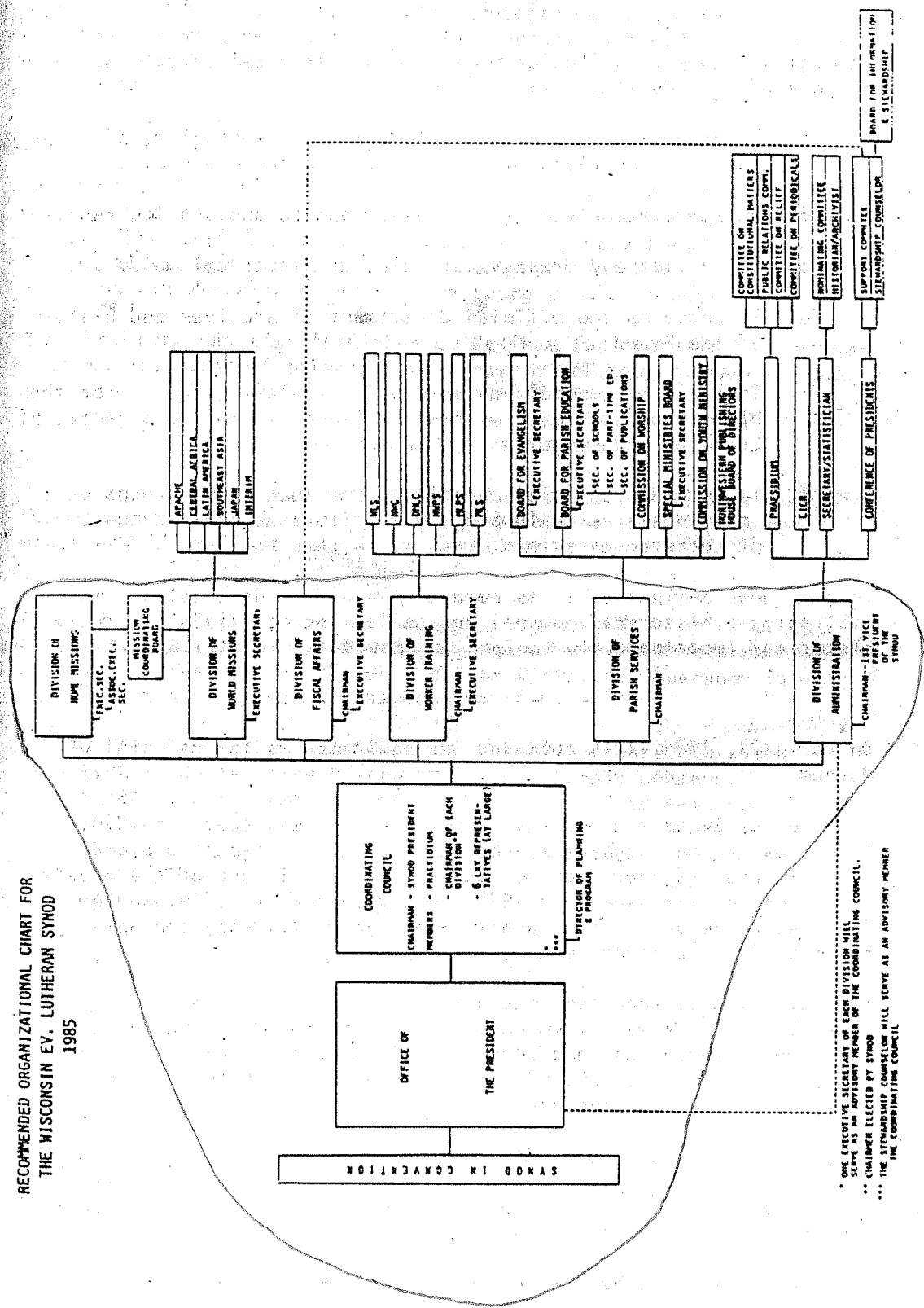
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RECOMMENDED ORGANIZATIONAL CHART FOR
 THE WISCONSIN EV. LUTHERAN SYNOD
 1985



* ONE EXECUTIVE SECRETARY OF EACH DIVISION WILL SERVE AS AN ADVISORY MEMBER OF THE COORDINATING COUNCIL.
 ** CHAIRMAN ELECTED BY SYNOD
 *** THE STEWARDSHIP COUNSELOR WILL SERVE AS AN ADVISORY MEMBER OF THE COORDINATING COUNCIL

If the present budget set-up were not changed but left as is, I would suggest the following changes:

1.) that the job of anticipating income be given to the Board of Trustees, who are responsible for keeping our Synod afloat, or to the Conf. of Presidents and the CCFS or its administrator, who are responsible for funding the budget. That would help keep the projected income figure realistic. Also I would suggest

2.) that the C.C. then be given a fixed income figure with which to work in drawing up the Synod's budget. (This figure, naturally, would be provided by one of the groups mentioned above.)

These suggestions would help deal with the problems but not solve them.

The other main problem for the budget, which has already been alluded to, involves the Pre-Budget Subscription (PBS) system. Pre-budget subscriptions? How could they cause problems for the budget? That's a good question. They weren't intended to. In fact, the Pre-Budget Subscription system was designed to help the Synod in drawing up its budget from year to year. Prior to 1961, when the PBS system was adopted, the congregations of the Synod had no say in the budget process, because the Synod operated on a quota system: the Board of Trustees drew up the budget based on past experience and expected increases; the Synod adopted it in convention; the budget was divided by the number of communicants in the Synod; and each congregation was expected to pay its "fair share," based on the number of communicants in the congregation. One could easily see why the congregations of the Synod might chafe under such a system.

In 1961 the Synod decided to turn things around:

Instead of adopting a budget at its biennial convention and informing its members of their "fair share" or quota, the Synod resolved to reverse the procedure. The members of our 800 congregations were asked to study carefully the work of their Synod, and each year to declare their willingness to support a self-determined share of the cost of that work. 24

A much better approach wouldn't you think? Sounds as though it should be a tremendous help for setting up the budget.

Apparently it is not working out that way: "Since our pre-budget subscriptions in the recent past have been a major contributing factor to our budgeting problems...." 25 Part of the problem with the PBS system has been mentioned already: When the C.C. sets up the budget for the next two years, it has subscriptions from the congregations for only the next six months. For the other eighteen months the C.C. has to guess how much money congregations will contribute. Of course, if the C.C. guesses too low, there's no problem. Synod will have extra money to spend during the next biennium. But if the C.C. guesses too high, then there is a problem. Then the Synod is short on money. And the problem gets worse if the C.C. is consistently high, which has been the norm as of late. Let's just look at the last five years (in order to present the figures as fairly as possible, for the fiscal years 1986-87, 1984-85 and 1982-83 I will use the C.C.'s updated estimates from 1986, 1984 and 1982 respectively, and not its two-year estimates from 1985, 1983 and 1981):

<u>Fiscal Year</u>	<u>Estimated Subscriptions</u>	<u>Actual Subscriptions</u>	<u>Difference</u>
1986-87	15,380,000	15,071,092	308,908 high
1985-86	14,640,000	14,249,632	390,368 high
1984-85	14,700,000	13,736,454	963,546 high
1983-84	13,900,000	12,996,116	903,884 high
1982-83	13,635,000	12,770,309	864,691 high

Obviously you are going to run into financial problems if you are constantly estimating your income to be substantially more than it actually is.

As I said before, the C.C. needs to be more realistic about anticipating subscriptions. It needs to be more objective. And the only way you can be objective about anticipating income, especially when you have a host of programs begging to be included in the budget, is to do it on the basis of the past, to base it on the average amount of increase over the last three or five years. To get a projected subscriptions figure for the 1988 budget based on a three-year average you would first find the average of the subscription increases between the fiscal years 1983-84 and 1984-85; 1984-85 and 1985-86; and 1985-86 and 1986-87. You would then take that average and add it to the subscription total for 1986-87 and you would have your figure. To project subscriptions for 1988, basing it on a five-year average increase, you would do the same thing, except that you would go back two more fiscal years.

If we were to go back and project subscriptions for the past five years, basing it on a three-year average increase, we would come up with these figures:

<u>fiscal year</u>	<u>Projected Subscriptions</u>	<u>Actual Subscriptions</u>	<u>Difference</u>
1986-87	14,742,739	15,071,092	328,353 low
1985-86	14,238,731	14,249,632	10,901 low
1984-85	13,490,655	13,736,454	245,799 low
1983-84	13,679,549	12,996,116	683,433 high
1982-83	13,257,829	12,770,309	487,520 high

If we were to project subscriptions based on a five-year average increase, we would come up with these figures:

<u>fiscal year</u>	<u>Projected Subscriptions</u>	<u>Actual Subscriptions</u>	<u>Difference</u>
1986-87	14,797,058	15,071,092	274,034 low
1985-86	14,475,227	14,249,632	225,595 high
1984-85	13,766,300	13,736,454	29,846 high
1983-84	13,584,604	12,996,166	588,438 high
1982-83	13,093,340	12,770,309	323,031 high

Naturally, using a system like this, you could project two years into the future, just as the C.C. has to do now at the beginning of a biennium. Let's do that once and compare the projections with the C.C.'s projections for the same years:

For Fiscal Year 1986-87

projected in '85 based on a 3-yr. average	-	14,741,008	(330,084 low)
projected in '85 based on a 5-yr. average	-	15,214,000	(142,908 high)
C.C.'s projection in '85	-	15,780,000	(708,908 high)
actual subscriptions	-	15,071,092	

For Fiscal Year 1984-85

projected in '83 based on a 3-yr. average	-	14,588,789	(852,335 high)
projected in '83 based on a 5-yr. average	-	14,398,889	(662,445 high)
C.C.'s projection in '83	-	15,000,000	(1,263,546 high)
actual subscriptions	-	13,736,454	

For Fiscal Year 1982-83

projected in '81 based on a 3-yr. average	-	13,387,332	(617,023 high)
projected in '81 based on a 5-yr. average	-	13,161,296	(390,987 high)
C.C.'s projection in '81	-	13,870,000	(1,099,691 high)
actual subscriptions	-	12,770,309	

I think by now the point is clear, the C.C. would be a lot safer projecting subscriptions on the basis of the past than following their present method of projecting.

It should be noted, though, that the C.C. hasn't always had such problems projecting subscriptions. For example, look at the fiscal years from 1977-81:

<u>Fiscal Year</u>	<u>Projected Subscriptions</u>	<u>Actual Subscriptions</u>	<u>Difference</u>
1977-78	8,543,400	8,698,832	155,432 low
1978-79	9,255,200	9,145,045	110,155 high
1979-80	10,165,500	10,042,588	122,912 high
1980-81	11,793,300	11,512,499	280,801 high

It's just since then that the C.C. has had such problems. Why there should be such a difference I don't know, but prior to 1982 they were doing much better than they are now.

The Coordinating Council has recognized this problem and is trying to correct it. That is the reason that at the 1987 Convention the C.C. proposed a three-year subscription plan, a plan that was adopted. Under this plan congregations are being asked to give a "firm" commitment for the first of those three years and a "well-considered forecast" for the following two years. 26 This will alleviate the C.C.'s former problem of having only six months worth of commitments when establishing a budget for the next two years. Nevertheless, the C.C. may want to continue to do some estimating anyway, because the subscription commitments it receives from congregations for years two and three are not firm commitments but only "well-considered forecasts" and congregations may or may not be realistic when making those forecasts.

A third problem arises with the Pre-Budget Subscription system when the Board of Trustees or the Coordinating Council or the Synod more or less ignores the subscription figures from the

congregations and proposes or adopts a budget that is out of line with those figures. A prime example of that occurred the very first time the PBS system was implemented. The very first Pre-Budget Subscription total, reported in the 1963 Proceedings, was \$2,874,148 for 1963. 27 At the Synod Convention that year the Board of Trustees requested a budget of \$4,257,051. The Synod adopted a budget of \$4,761,465. Now granted, this included \$642,187 for urgent projects and wider opportunities. But that still leaves a base budget of \$4,119,278. What was the result? In spite of the fact that programs were drastically cut back, the Synod still went back \$572,851 over two years, 28 and wound up \$416,857 in debt in 1965. 29

Another example of this I cited earlier in this paper. Back in 1983 the Coordinating Council faced a difficult situation. The Synod had a budget balance in 1983 of \$184,195. The C.C. had seen subscription increases drop from 14.6% in 1981 to 6.1% in 1982 to 3.7% in 1983. Yet at the 1983 Convention the C.C. recommended a budget of \$14,916,000 for 1983-84, which included a 6.9% increase in subscriptions, and a \$16,116,000 budget for 1984-85, which included a 7.9% increase in subscriptions. What happened? One year later the Synod was about \$800,000 in debt.

How do congregations feel when they see something like this happen, when they see the Synod or Synod's boards more or less ignore their subscription figures and adopt an unrealistic budget and go into debt because of it? For one thing, they become upset. In the 1965 BoRaM this rather significant statement is

found: "There are also constant reminders--we do not like to call them rumblings--from the congregations that they expect the Synod to live within its anticipated income." 29 Another thing that happens is that congregations become discouraged: "Why do we even take the time to figure out and send in pre-budget subscriptions if the Synod is just going to ignore them anyway?"

Being discouraged and upset, a congregation may not even feel like meeting its subscriptions, which brings us to the fourth problem in the PBS system, congregations not meeting their subscriptions. In 1985 congregations met only 98.3% of their subscriptions; in 1986, only 98.5%; and in 1987, only 97.4%. In 1985-86 alone this caused a revenue shortfall of \$390,000. Why do congregations not meet their pre-budget subscriptions? I'm not sure. There may be a number of reasons. Perhaps some congregations are experiencing financial problems of their own and are not able to meet their subscriptions. Perhaps some congregations aren't realistic when they subscribe to a figure and later find that they can't meet it. Perhaps some harbor some anti-Synod feeling and don't really make an effort to meet their subscriptions. Perhaps some congregations take care of their own needs first and meet their wider privileges with whatever is left over. What all the reasons are I don't know, but I do know that if congregations are given the impression that the Synod is not taking their subscriptions seriously, they will be less inclined to meet their subscriptions.

What can be done so that more congregations will meet their

pre-budget subscriptions? Some congregations have already taken action to help remedy the situation. Some congregations have adopted resolutions which state that if, during a fiscal year, there is a shortfall of revenue, the congregation will, if necessary, borrow the money to meet their wider privileges. Thus Synod is assured of receiving the money it was counting on. I admire the congregations which have adopted such resolutions. It shows a real spirit of responsibility and brotherly love (We're not going to make Synod programs suffer just because we can't meet our budget.). Such congregational action can certainly be encouraged. Hopefully the spiritual renewal underway in our Synod will also raise the performance of congregations in meeting their subscriptions.

I do know something else that would help, if in the future the C.C. would take the PBS figures from the congregations seriously and project a realistic income figure for the budget, especially now that this new three-year subscription system is being put into effect. If congregations see that their pre-budget subscriptions are being taken seriously, they will take those figures seriously themselves and strive to meet them.

Our Synod certainly has had its share of financial difficulties over the years. We've just come off a Special Lenten Offering, the purpose of which was to keep the Synod from going \$1,000,000 into debt. What is responsible for our Synod's financial problems? Though there may be other contributing factors, some of the more basic problems involve the present

setup of the budget and the Pre-Budget Subscription system. The problems with the PBS system are not so much in the system itself as they are in its use or misuse and thus should not be that difficult to solve, especially with this new three-year subscription program.

The problems with the budget setup are more serious, however, because they are inherent in the system and may prove harder to solve, particularly if the present arrangement is not changed. Some solutions to these problems have been offered along the way. That's why I took up this subject in the first place, because I wanted to find some solutions to some of our present financial problems. That we find solutions to these financial problems I feel is very important. We can't afford the alternatives. We can't afford to go into debt. We can't afford to hold back or delay the work in God's Kingdom or waste His resources. And we can't afford to discourage congregations or alienate them from the Synod because they have received the impression that the Synod doesn't take them seriously or doesn't know how to manage responsibly what is entrusted to it. Our goal as Christians united in a synod is to work together for the truth. The more harmoniously and efficiently we can do that, the more work we can accomplish to the glory of our God.

Endnotes

1. Edward C. Fredrich, "Historical Development of Stewardship Practices in WELS," WELS Historical Institute Journal, 1, No.1 (Spring 1983), 25.
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3. Ibid., p. 30.
4. Ibid., p. 32.
5. Ibid., p. 35.
6. Committee on Constitutional Matters, Constitution And Bylaws (Milwaukee: The Wisconsin Evangelical Lutheran Synod, 1987), p. 23.
7. Synodical Proceedings, 1987, p. 138.
8. Synodical Proceedings, 1983, p. 104.
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10. Synodical Book of Reports and Memorials, 1983, p. 149.
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12. Ibid.
13. Ibid., pp. 151-153.
14. Synodical Proceedings, 1983, p. 165.
15. Synodical Report to the Districts, 1984, p. 135.
16. Synodical Book of Reports and Memorials, 1987, pp. 148-150.
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18. Synodical Book of Reports and Memorials, 1969, p. 115.
19. Ibid., p. 116.
20. Synodical Proceedings, 1985, p. 94.
21. Synodical Book of Reports and Memorials, 1987, p. 150.
22. Interview with Administrator Daniel Malchow, 2/23/88.

23. Ibid.
24. Synodical Book of Reports and Memorials, 1963, p. 133.
25. Synodical Proceedings, 1983, p. 104.
26. Synodical Book of Reports and Memorials, 1987, p. 122.
27. Synodical Proceedings, 1963, p. 241.
28. Synodical Proceedings, 1965, p. 325.
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30. Ibid., p. 150.

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