

# Memo on Financial Decisions Facing Congregations During the Coronavirus Crisis

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The Church, including The United Methodist Church in Michigan, today confronts a crisis unprecedented in our lifetimes. The spread of the coronavirus and COVID-19 have created a situation where we have needed to ask congregations to refrain from in-person gatherings, including worship, for an extended period of time. While we do what we can to encourage continued financial support of our churches and their ministries from their members and constituents, in many or most cases, giving will decrease when congregations don't meet. Furthermore, the crisis affects the ability of some of our members to give.

As congregations consider financial decisions related to their staffing, I propose the following decision-making protocol as a helpful tool. It is intended that the questions be considered sequentially.

## Resources

Are there resources you might access that would allow you to continue with your current staff?

- Do you have resources in your church, funds from which you could borrow for a short period of time? You would need to compose a formal agreement, even when borrowing from your self that included the scheduled repayment of those funds. District superintendents should always be informed of such decisions and should be given a copy of the loan agreement.
- The United States Government CARES Act applies to churches and other non-profits. It provides emergency loans to secure funds to pay staff and operating costs for two months. Under certain circumstances, the loans could be forgiven. Those circumstances include the retention of employees. The Conference continues to gather the most recent information about this program. Here is link to a summary from the United Methodist Foundation of Michigan. <https://umfmichigan.org/wp-content/uploads/2020/03/SBA-Loans-under-CARES-Act-4.pdf> (You may refer churches to this document on-line or mail them a copy).
- Are you able to access other short-term operating loans?

## Voluntary Furloughs

Some members of a staff that are not appointed clergy, may have the ability to take unpaid time off from their positions. Have you ever inquired among your staff who may be willing and able to do this in the face of the current crisis? Churches will want to be sure they are not exercising undue pressure on staff to take a voluntary furlough. You will want to understand the benefit implications, if any, of a furlough. You will also want to be relatively sure you plan to invite the person back to your staff once the crisis abates. Voluntary furloughs are not intended to be a step toward elimination of a position.

## **Salary Reductions**

Before dismissing a staff person, consider if there are salary reductions that could be implemented in lieu of staff reductions.

- Salary reductions could be implemented through a reduction in hours of work
- There is a need to distinguish between appointed clergy staff and non-clergy staff
  - Negotiations with non-clergy staff are not subject to restrictions in The Book of Discipline
  - Reduction in appointed clergy compensation is restricted by ¶624.1 which stipulates that “if it becomes necessary to reduce a pastor’s compensation, it shall occur at the end of the conference appointment year.” This does not preclude clergy from voluntarily reducing their salary in the interim period of time. However, the IRS may consider that a charitable contribution and the full amount of the previously agreed upon salary may continue to be considered taxable income.

## **Staff Reductions**

If staff reductions prove to be a needed financial necessity, these questions are important to ask:

- How does the elimination of this staff position affect the strategic ministry plan of your congregation?
- Will this staff reduction be permanent, or might this position open again when financial realities change? What do you want to say to the person whose position is being eliminated about their opportunity to return to the position if it re-opens?