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FINANCING OF CHURCHES
AND RELIGIOUS COMMUNITIES IN HUNGARY

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INTRODUCTION

RELIGIOUS communities are important actors in the social structure of countries providing social services, education, employment, managing property besides their spiritual activities. Financial means are naturally essential to religious activities. Funding models of religious communities are in fact mixed in all countries. The all-round comparison of the modalities for financing churches is practically impossible for, on the one hand there are no “budgets” to be compared on the other hand the costs covering the expenses occurring everywhere show great deviation. E.g. in certain countries the teaching of religion or the university training in theology is the duty of the state universities, while in others these costs are covered by churches. In terms of the main, characterizing sources, the following principal schemes for financing can be differentiated:¹

- state funding
- managing the finances from own assets
- church tax system
- church contribution system
- endowment-donation system
- disposition over a certain part of the income tax (tax assignment system).

The financing of the churches is usually adjusted to the scheme of the relation between state and church and the role of the church has in the particular country. Neither the schemes nor the types of financing appear “chemically

¹ Following the categories set up by Prof. Dr. Heiner Marré; see: H. MARRÉ, *Die Kirchenfinanzierung in Kirche und Staat der Gegenwart*, 3rd ed. Essen 1991, 19-30.

pure". Thus the income of churches supported directly by the state, or that of churches existing on the basis of church taxation might be significant, while indirect or even direct state support of various forms and grounds can be observed within the endowment-donation systems as well. Besides the major differences there may be – at least as tendency – common elements, too: granting tax reduction to churches and to donations (or taxes) given to these churches, state funding in the protection of historic monuments or state support of educational activity performed by the churches seem to be generally accepted practices. The fundamental differences are whether or not the state finances the operation of the churches, or is it the task primarily of the members of the churches. In the latter case the question is what type of support is granted by the state.

1. COMMON CHALLENGES IN CENTRAL AND EASTERN EUROPE

1. 1. *Property and restitution*

Communist takeovers following World War II brought wide-scale nationalizations in all countries of Central and Eastern Europe. Religious communities were not only affected by expropriations but also targeted by them as emerging regimes regarded them as ideological enemies. The collapse of the communist system opened the way for restitution, this procedure, however, has to be seen in a wider perspective. On the one hand former communist countries differ in their general policies on restitution (some rejected restitution in general and opted for a limited compensation, whereas others tried to restore (real) property situations as they have been prior to the communist rule). On the other hand the religious landscape of the region has undergone remarkable changes due to population transfers, secularization and emerging new religions. Western patterns could be of use only to a limited extent, but in fact historic precedents of handling the compensation of damages caused by secularizations in Germany in the early 19th century and in Austria in the Nazi period were studied in new democracies.

Besides Slovakia Poland, Slovenia and Romania fundamentally decided for a full restitution. Practical difficulties – e. g. in local communities – may have hindered the procedure.² It has to be noted that there have been remarkable differences between properties of denominations prior to World

² The ethnic composition has changed after the war in certain areas, whereas denominations linked to ethnic minorities raise complex issues. A special unresolved issue remains to be the fate of the Greek Catholic Church in Transylvania. After the communist takeover in 1948 in Romania this church was forced to merge into the Orthodoxy, but after the collapse of the regime only a part of its believers returned to it. It is a question of controversy if the present denominational proportions are the reason or the result of settling property claims (against the Orthodox Church, not against the state).

War II in different countries. Whereas in some countries churches did own vast lands, in others (like Czechoslovakia and Romania) land reforms in the mid-war period confiscated much of the land and forest previously owned by churches.

Besides Hungary the Czech Republic opted for a compromise with regard to the church property. After years of tension and negotiation in 2007 an agreement has been reached on a compensation to be paid to the Catholic Church by the Czech State during 60 years, but the agreement has not been ratified yet.

1. 2. *Subsidies for clergy and religious activities/worship*

Some countries, like Romania, Slovenia or Slovakia (continue to) pay salaries to members of the clergy. In other countries this is rather limited to army and prison chaplains, teachers of religion, professors of theological faculties at state universities.

Tax assignment systems seem to have a real carrier in the region. Hungary adapted this Italian-Spanish model of church funding in 1997. Recently Romania has introduced a tax assignment system in favor of charities, Slovakia in favor of charities and churches, from 2003 Poland opened it for organizations of public interest from 2003 for the first time for the fiscal year 2004, with taxes due in spring 2005, but it is also considered in other countries.

1. 3. *Subsidies for public benefit activities*

Differentiating between religious and public activities is difficult: a church would regard all its activities public and religious at the same time. Even worship has public effects on the one hand and social assistance on the other is determined by faith if carried out by a religious community. Public activities, however, are carried out by other – mainly public – actors as well, whereas worship certainly not. The public funding of public activities seems to be a general rule in Central-Europe, but public subsidies are not meant to cover all expenses in all countries. Besides Hungary Poland and Slovakia ensure equal funding to church run schools than to public ones, whereas the Czech Republic treats church run schools like schools run by foundations, Slovenia covers 85% of the expenses. Some countries, like Romania and Austria (similarly to France) cover the salaries of the staff of church run schools.

2. RESTITUTION OF CONFISCATED CHURCH PROPERTY IN HUNGARY

Mainstream religious communities – especially the Catholic Church – used to own vast properties, especially land and forest until 1945. Endowments used to secure the operation of ecclesiastical institutions on the one hand,

on the other hand patronships played a special role in Hungary: even between World War I and II about 2/3rds of the Catholic parishes had a patron (a landowner, an ecclesiastical entity or often an urban municipality or a company) covering the expenses of the church building and the clergy.

Communist takeover after World War II has brought a radical change: almost all church property was confiscated, education and health care nationalized, practically only church and parish buildings and a very limited number of church institutions remained in the hands of churches. The churches maintained their institutions during the decades of socialism primarily from donations of the faithful and to a smaller extent from government aid. In the second half of this period considerable foreign financial help completed these resources. By virtue of the agreements concluded with the “historical” churches in 1948 and 1950, furthermore on the basis of the prolongation of these agreements in 1968,³ the State – via the National Office for Church Affairs – granted a “personal and material related government aid” to churches. A significant part of this aid was the salary of the members of the clergy – who needed a state permission to be allowed to operate. The subsidy has been this way a means of control over churches. One of the sources of such government aid was – in principle – the “Denominational Fund” established by the means of the churches “offering” their remaining land property.⁴ The local customs as to parochial contribution – often used under the prevalent phrase “church-tax” – shows a great variance. According to estimations, about half of the Catholic households paid parochial contribution in the 70-ies and 80-ies – most of them at a very low rate (through for decades this contribution was fixed in 300 Forints/household/year – less than 10 DEM (5 EUR) that time). Roughly 60 per cent of the total income of the Catholic Church derived from the parishes, that is from the donations of Church members, 25 per cent from the state and 15 per cent from foreign aids⁵ – certainly these are rough estimations.

With the collapse of the communist regime it was evident that churches are in need of some kind of public assistance to be able to function, but the state control has to be overcome once and for all. Autonomy became a top concern in more ways: churches had to gain autonomy from the state on the one hand on the other hand they had to become able to function and fulfill activities they had been deprived from for decades. The state had to fulfill its responsibility to enable the operation of churches as this was regarded as a

³ Government resolution No. 1026/1968. (XII. 11.) Korm.

⁴ Government decree No. 170/1951. (IX. 15.) MT.

⁵ J. Morel, e. András, (Eds.), *Handbuch des ungarischen Katholizismus*, Wien, 1984, 167.; J. CSERHÁTI, *A magyar katolikus egyház anyagi helyzete* (Financial Situation of the Hungarian Catholic Church), in *Magyar katolikus Almanach II.*, *A magyar katolikus egyház élete 1945-1985* (Life of the Hungarian Catholic Church 1945-1985), Budapest, 1988, 678-696.

condition of religious freedom, but it had to be keen on not getting involved with the internal affairs of them.

In Hungary there was no re-privatization after the transition. Nationalization was regarded to be unjust, harmful and also illegal, but not invalid. The economic situation, which the “real socialism” left behind, however, did not enable a full restitution or a full compensation. Private individuals who lost their property got partial compensation receiving compensation vouchers that they could use in the course of the privatization process. Churches were the only juridical persons compensated on the basis of a special law.⁶

Based upon the Act on the Settlement of Ownership of Former Real Properties of the Churches of 1991⁷ churches could reclaim buildings (together with the plot of the building) expropriated after 1948 and originally used for specific purposes in so far as these properties were – at the time the Act came into force – the property of the state or a local municipality. Restitution was meant to be partial as the purposes defined by the Act did not cover economic utilization (e.g. agricultural properties, land, vineyards, forests, apartment houses, press were excluded), but a wide range of religious and non-profit activities like religious life, education, culture, health care institutions and houses of religious orders. This way, properties that used to serve religious or public goals were not to be restituted, whereas the possibility of religious and public activities was reopened. The building reclaimed is to be used for one of these purposes, too, but not necessarily for the same purpose as before nationalization (eventually a convent of a religious order may be turned into a dormitory of university students).⁸ The guiding principle of the Act was that churches should be helped to re-establish their functioning and to ensure this way the free exercise of religion. Furthermore, the legislator tried to avoid new injustices and uncertain legal circumstances, therefore a step by step solution was intended with the compensation of the present user. In the strict legal sense the procedure is not re-privatization but the transfer of a building that is in public property now, but that used to be church property before. The nationalization is not made void, but a new transfer is being made. A joint committee, consisting of representatives of the church and the government, was established for each denomination and drew up a motion for the transferring of properties in question. The

⁶ Other legal persons – associations, trade unions, political parties – did not have the same continuity as churches, as they were usually dissolved, many of them, however, received some property (like office space) at the early period of the democratic transition.

⁷ Act xxxii/1991. The term “church” became in Hungarian the general term used for religious communities since Act iv/1990. (on the freedom of conscience and religion and on churches)

⁸ Most buildings transferred serve religious purposes (over 60%), followed by education, culture, social and health care.

law took into consideration the compensation of the current owner of the property (the municipality in most cases). As this financial burden made the procedure much slower than anticipated, in 1997 the deadline for the settlement was changed from the 10 years originally foreseen to 20 years.⁹ At least 5% of the claims of each church were to be settled every year. Smaller communities, minority churches were taken first.

The Constitutional Court held in its decision brought on the Act the followings: partial restitution of property in favor of the churches – and for nobody else but for the churches – is, as partial compensation for the grave actionable injury suffered by the churches, further in favor of establishing their operability and so for ensuring freedom of religion, constitutional.¹⁰ The Act was regarded as a functional support permissible to guarantee the free exercise of religion. Buildings that had been used before nationalization for purposes of religious life, operation of a monastic order, education, health and social care, youth and child welfare or culture could be reclaimed on condition that they were to be used for one of these purposes again. There was no unconstitutional discrimination between the churches and other legal entities that did not get property back as these entities are not comparable: the historical role of the churches in the society and the inseparability of their operation from the right to freedom of religion offered a satisfactory basis for their special treatment. Furthermore, it was logical that churches which either were not operating at the relevant time or had suffered no loss could make no claims since the transfer in question was of buildings previously used by the entitled churches for the implementation of their right to exercise the freedom of religion and which could now be reclaimed for the same purpose to the extent of the churches' real needs.

The law affected 13 churches¹¹ filing about 6,000 claims that fell under the Act. The fulfillment of the Act has led to tensions in some local communities, especially when public schools were turned into church schools – in other cases this was welcome by the local community. The buildings given back to churches were usually in bad shape, especially as the present users

⁹ Act CXXV/1997.

¹⁰ Decision 4/1993 (II. 12.) AB

¹¹ These were the Catholic Church, the Reformed Church, the Lutheran Church, the Jewish Communities (29 properties), the Serb Orthodox Church (21 properties), the Romanian Orthodox Church (7 properties), the Hungarian Orthodox Church under the Moscow Patriarchate (3 properties), the Baptist Church (4 properties), the Unitarian Church (1 property), the Methodist Church (2 properties), the Adventist Church (2 properties), the Salvation Army (1 property). Certainly the number of property claims is not necessarily proportionate to the value of them as some communities used to own (and now claim) more small properties, whereas others had large buildings. The Catholic Church had over 2,500 claims, the Reformed Church over 1,500, the Lutheran Church close to 500. Data taken from the Secretariat for Church Relations at the Ministry of Education and Culture, <http://www.okm.gov.hu/main.php?folderID=1684> (July 31, 2009)

were not eager to spend on the maintenance as they knew that the building would not remain their property. Furthermore the state failed to provide sufficient means for the procedure, what has led to churches and municipalities queuing up for compensation (that was the reason to prolong the procedure until 2011). By the end of 1999 definite lists of buildings to be transferred by 2011 were fixed by the government providing to legal certainty in this sensitive issue.¹²

Following the agreement on financial issues with the Holy See signed on the 20th of June, 1997,¹³ a new law¹⁴ passed in 1997 provided for the possibility of turning the value of non-restituted property into a virtual fund that grants a sum every year to the church concerned. The Holy See followed a highly modest approach in property issues: pastoral dimensions, securing present operation of the Church were forefront instead of the *restitutio in integrum*. Besides pushing out the deadline of settling property issues from 2001 to 2011 a definite list of 818 buildings was attached that were to be transferred.¹⁵ More than half of the Catholic claims were withdrawn. The value of these buildings that was turned into a fund that is to be valorized according to the devaluation of the national currency. The starting sum of the fund was 42 Billion Forints for the year 1997. The state paid 4.5% of the fund until 2000. Beginning with 2001 this dividend was raised to 5%.¹⁶ The Holy See declared in the agreement that with transferring the listed buildings and fulfilling the payments from the fund the claims based on the Act are regarded as fulfilled.¹⁷ Besides the agreement with the Holy See, the government concluded similar agreements with the Alliance of Jewish Communities, the Lutheran Church, the Reformed Church, the Baptist Church and the Serb Orthodox Diocese, that opted for annuity instead of taking some of their buildings back. For the two “mainstream” Protestant Churches, the Reformed and the Lutheran Church the new system did not seem to be a solution as they could not give up claims in a sufficient value (on the one hand

¹² The settlement for the Catholic claims is foreseen by the resolution 1046/1999. (v. 5.) Korm. hat., for the further five affected Churches by 1116/1999. (xii. 6.) Korm. hat.

¹³ Promulgated by Act LXX/1999, AAS (1998) 330-340.

¹⁴ Act cxxiv/1997. (on the financial conditions of the religious and public activities of churches)

¹⁵ Since that in a number of cases the Church agreed to a financial compensation instead of taking the property back.

¹⁶ In 2009 the budget pays 9.5 billion HUF (about 35 million EUR) as annuity to the six churches concerned.

¹⁷ The agreement also shows that the Holy See made use of the supreme authority of the Pope under can. 1256 CIC, deciding over properties or property claims of various juridical persons like parishes, dioceses, religious orders etc. The financial compensation is received by the Church itself, managed by the Bishops' Conference and not by the former owners themselves.

because their estates were smaller, on the other hand because most of their buildings were owned by the local congregations and so the central organs were not entitled to give the claim up). To help this, a special sum was added to their compensation to contribute to their public activities.¹⁸

The claims falling under the Act could be settled in four different ways:

- Direct agreement between the owner (the municipality) and the church on the transfer of the property. In some of these cases the building was not in public but in church use before, like places of worship; the transfer in these cases affected rather the ownership, than the factual reality. In other cases the municipality had no interest in keeping the building until the Government decides on it years after, especially in cases when there function of the building did not entitle the owner for compensation.¹⁹ About one thousand claims were settled this way.

- Transfer of the building by the resolution of the Government, with the compensation of the owner. In these cases the central budget provides funds for the municipality that empties the building in order to give it back to the church and uses the compensation to move the public institution (for example a school) into a new place. The advantage of this solution is that conflicts can be avoided, and churches receive buildings after the former user has moved out. A disadvantage is the financial burden of the central budget that moves funds to local authorities, practically buying back buildings for a church. Over 2,000 properties were decided upon by the Government – party restituting buildings, partly compensating the churches. As budgetary means are limited claims queue up, and priorities became matters of negotiation.

- Financial compensation by the Government: this is chosen by churches when they have less interest in taking possession of the very building, but prefer to invest into a new construction. In this case it is not the local authority receiving funds but the church receives the compensation for giving up the claim. From 2005 an additional possibility was opened to speed up compensations by practically selling the claim to a bank. This way the bank paid immediately to the church and the bank is to receive the compensation when the budget comes to it.

- Transfer of property claims into a virtual fund that pays a fixed dividend for unlimited times. The Catholic Church transferred claims of over

¹⁸ Government Resolution on the promulgation of the agreement with the Lutheran Church: 1056/1999. (V. 26.) Korm.hat.; Government Resolution on the promulgation of the agreement with the Reformed Church: 1057/1999. (V. 26.) Korm. hat.

¹⁹ When church buildings were transferred to churches from municipalities, compensation of the latter did not come into question. When the municipality operated a school in the building to be restituted, the local authority had the right to seek compensation from the central budget to replace its school.

one thousand properties to this fund with the agreement concluded with the Holy See in 1997. The Reformed Church transferred 343, the Lutheran Church 76, the Jewish Communities 154, the Serb Orthodox and the Baptist Church two properties each to the funds by agreements concluded with the government in 1998.

The problem of confiscated church property was solved by an equitable compromise: churches got back and get back some of their former property that they are able to use for their genuine purposes under the present circumstances, while the annuity they receive for property not taken back provides for a solid financial basis of church activities.

A special fund was also established to help those Churches to establish their infrastructure for public activities that had no significant property. Subsidies were granted by discretionary government decisions.

3. FINANCING OF CHURCHES IN HUNGARY

3. 1. *Financing of religious activities - the tax assignment system*

Since 1998 a major way of public funding is a tax assignment system, as income taxpayers got the right to assign 1% of their tax to a religious community of their choice or to alternative public funds.

Until 1998 direct state funding was provided to the churches, distributed by decisions made by the Parliament each year. Beginning with the tax report on the year 1997 (that was due in March, 1998) taxpayers were given the possibility of deciding on 1% of their income tax and could direct this sum to a church of their choice or to a public fund (another 1% can be directed to NGOs, museums, theatres and other public institutions).²⁰ This way the political decisions are excluded from this very sensitive field. As the system is fairly complicated (partly due to the reasons of data protection, churches were given a so called technical number that was to be written in a special form that had to be attached to the tax report in a closed envelope or to be handed over to the employer if the employee had income only from that one employer so that he did not need to fill in a tax report), in the first year only 10.25% of the taxpayers (practically only regular churchgoers) filled in the declaration. One of the difficulties of the system is that – contrary to the Italian model – Hungarian taxpayers decide on 1% of their own income tax, that is: those having a larger income and paying more of their progressive income tax have a larger say in distributing this sum.²¹ Another unfor-

²⁰ Act CXXIX/1996. (on the use of a specified amount of personal income tax in accordance with the taxpayer's instruction).

²¹ 1% of the income tax of an average supporter of Jehovah's Witnesses was 3,387 HUF in 2008, whereas 1% of the income tax of an average Catholics was 5,898, of a Jew 11,922, of

fortunate aspect is that pensioners (who pay no income tax in Hungary if their only income is the pension) and low income taxpayers (who are tax-exempt) are excluded from the system. This has the consequence that not the community of citizens but a small part of the active population decides on the distribution of the funds due to churches. Changes in the taxation system (e.g. favoring value added or property taxes instead of the income tax) have side-effects on churches.

The denominational proportions did not bring big surprises: over 60% of the declarations are made for the benefit of the Catholic Church, about 20% the Reformed Church. According to the proportion of the declarations the Faith Church (a charismatic-evangelical congregation) has become the fourth biggest religious community, followed by the Jewish Community, the Baptist Church. Recently even ISKCON met the ten thousand assignments threshold, showing that professional image-building may even attract attention of otherwise probably agnostic taxpayers. Churches and taxpayers are more and more aware of the importance the system and wide-scale professional campaigns are made each year to encourage taxpayers to make use of their right. Whereas in 1998 (on the tax year 1997) 478 thousand assignments were registered (319 thousand in favor of the Catholic Church), in 2008 (on the tax year 2007) over 820 thousand taxpayers made use of the possibility, in favor of 155 religious communities (502 assignments were made in favor of the Catholic Church). Beginning with 2009 the way declarations can be submitted was simplified as more and more taxpayers submit their income tax report in an electronic way.

The state first guaranteed to complement the amount up to 0.5% of all the income tax collected according to the proportion of the number of declarations due to churches (with regard to this part of the subsidy what counts is the number of assignments, not their value). A further transitional rule was that if the subsidy in the new system has not reached the direct state subsidy of the year 1998 (the last year when direct subsidies were distributed) the budget guaranteed this sum in the first five years (the Catholic Church has never invoked this guarantee). From 2003, the sum resulting from the declarations was to be complemented to 0.8% of the total state revenue from income tax. From 2004 to 2008 the supplement was up to 0.9% of the income tax revenue, from 2008 it was cut back to 0.5% again.

Funds assigned to churches in a year (on the income of the last year) are transferred to churches in the year following the assignments. Funds

a Scientologist 4,888, whereas the 44 Anglicans could support their congregation with HUF 22,133 in average, to provide some interesting figures of the 155 communities taking part in the system. Data on the tax assignments are published every year by the Tax and Financial Control Authority (www.afeh.hu).

raised in the tax assignment system are freely administered by the respective churches, without any kind of public control.

3. 2. *Other channels of public funds*

Churches are exempt of various taxes and fees. For example church legal entities do not have to pay local taxes²² and fees²³ when purchasing or inheriting real estate or become parties of civil or administrative procedures. The stipend given by private individuals to Church persons for Church services is free of tax.²⁴ In the agreement with the Holy See on financial issues the Parties agreed that the “scope of benefits and exemptions (...) shall not be narrowed down by the Hungarian State without the consent of the Church.”²⁵

The state contributes to some church activities, like the reconstruction projects of architectural heritage to a limited extent, based on individual decisions of parliament and government. Local authorities may contribute to reconstruction projects, may sponsor expenses like the illumination of the church building, and often provide the building plot for new church buildings free of charge. Although the tax assignment system may be characteristic, one can say, that various types of funding co-exist.

Beginning with 2002, churches receive a special fund to contribute to the salary of their staff (clergy or other full time church employees) serving and living in rural settlements of less than 5,000 inhabitants. With this contribution the government acknowledges that churches have a vital role in keeping the rural areas alive. The clergy does not receive state salaries, but it is the church that receives a public fund to assist their staff who – besides their genuine religious duties – also contribute to the general welfare of villages.

Religious instruction is sponsored by the state. The churches have to submit the number of the religion classes they run to receive a per class fund. Neither the content nor the curricula of the religion classes is subject of scrutiny, that is: religious instruction is an internal affair of the churches, but public schools have to provide space for optional religion classes. The funding of the religious instruction was not included in the agreement with the Holy See, but the agreements concluded between the government and Protestant Churches in 1998 contain this title. It is not the school that pays for the religious instruction, and the teacher is employed by his church (that is using public funds to cover his salary).²⁶

Institutions providing higher education in theology can be accredited by

²² Act C/1990. (on local taxes) § 3 (2).

²³ Act XCIII/1990. (on fees) § 5 (1) e).

²⁴ Attachment 4.8. to Act CXVII/1995. This covers mass stipends according to can. 945 of the CIC.

²⁵ Part II, Art. 4 (4)

²⁶ For 2009 the budget foresees 3,305 million HUF to support religious instruction.

the National Board of Accreditation to become entitled to issue degrees acknowledged by the state, but they are maintained by the churches instead of being integrated to state universities.²⁷ The church maintaining the institution can enter an agreement with the state to get the training funded (in the case of university level training the funding equals with the funding of the teacher training quota at arts faculties). In the case of the Catholic Church the number of funded student seats is maximized by the agreement on financial issues concluded with the Holy See at 2,500. When a theological faculty has enough sponsored students, the state subsidy can cover the expenses of its operation.

In Hungary army chaplains qualify as officers,²⁸ prison chaplains as public employees.²⁹ This way the personnel of the four “mainstream” religious communities (Catholics, Calvinists, Lutherans and Jews) at the army and the prisons are directly paid by state organs. Ministers of other denominations have free access to military and penitentiary facilities, but receive no public salaries.

The major part of church activities is not covered by public funds. “The assets of churches (...) shall be composed primarily of the donations and other contributions...”³⁰ Churches are free to raise funds. Public authorities are not entitled to get any kind of information on these revenues,³¹ that is churches manage and administer these funds free. In the case of the Catholic Church the diocesan regulations usually require that the members of the Church offer 1% of their net income to the local parish³². The effectivity of collecting this contribution is highly variable and – especially in urban areas – very low. Local church communities are usually able to maintain themselves from the donations of the community members and rely on the financial assistance of their diocese / sister churches only in special cases, like a construction or a renovation project. Besides donations of the faithful some local communities engage into “business” to a limited extent. For example church towers are often rented to mobile phone companies to hide antennas, many rural parishes own cemeteries and newly a number of urban parishes open crypts as burial places of urns.

Foreign aid has played a significant role in financing the Church during communist rule. Since the fall of communist regime the role and the amount of foreign aid is shrinking. Various foundations and since its establishment *Renovabis*, however, still play an eminent role in funding concrete projects.

²⁷ Act CXXXIX/2005. (on higher education) § 139.

²⁸ Government Decree 61/1994. (IV. 20.) Korm.

²⁹ Minister of Justice Decree 13/2000. (VII. 14.) IM.

³⁰ Act IV/1990. § 18 (1).

³¹ Act CXXIV/1997. § 2.

³² E.g. decision of the synod of the Archdiocese Esztergom-Budapest § 61. (1994)

3. 3. *Financing of public benefit activities*

Education, health and social care are considered as state duties. Churches are free to perform any public activity that is not reserved to the state. Churches have retrieved their liberty with the change of regime thus they may have a more important role in serving society opening schools, institutions of higher education, health care and social care. If a church provides public services on demand of the citizens, it is entitled to the same subsidy the state is providing for public institutions. Church run museums, archives and libraries may receive public funding if they fulfill certain criteria.³³ Renovation of church architectural heritage can be subsidized. Neither of these subsidies is considered as funding of cult or core religious activities. Social and health care are important fields of the public activity of churches, however the most significant is the presence of churches in the education.³⁴

Pursuant to the relevant provisions of law, churches performing public activities (maintaining schools or providing social care) are granted by the budget normative support equal to the support granted to public institutions for the same purpose.³⁵ The aim of the legislator was to arrange for the whole financing, thus these items would no longer belong to the sphere of financing of the churches, but to the sphere of non-discrimination, for as the parents of children who study in the church schools are tax-paying citizens too, those receiving treatment in a church run hospital have the same health insurance as those getting treatment at a public hospital. Church run universities providing courses in secular subjects take part in the same competitive system of allocation of state funded student places as state universities.

Church run schools undertake duties which would otherwise be completed by the State or the local government. Church run schools receiving equal funding provide education free of tuition fees.³⁶ Although the principle of equal funding is firmly established and reaffirmed by decisions of the Constitutional Court³⁷ as well as by agreements concluded with various denominations the calculation of the subsidy is repeatedly leading to conflicts (between centre-to-left governments and churches). Governments often tried to reinterpret the principle of equal funding applying techniques

³³ Act CXXIV/1997. § 7 (1)

³⁴ In the school year 2007/2008 3.3% of kids at kindergarten visited church run institutions, at elementary school level this percentage was 5.5% (with beginners this ratio was 6.3%, what shows that the share of church run institutions is growing), in full time secondary schools 17%, at university level 5.9%. Source: Statistical Yearbook of Education 2007/2008, available at http://www.okm.gov.hu/letolt/statisztika/okt_evkonyv_2007_2008_080804.pdf (July 31, 2009).

³⁵ Act IV/1990. § 19 (1).

³⁶ Act LXXIX/1993. (on public education) § 4 (6) and § 81(4).

³⁷ Decision 22/1997. (IV. 25). AB; Decision 99/2008. (VII. 3.) AB;

that deprived church run institutions from certain elements of funding. For example church schools in 2005 did not receive the subsidy that is granted to public institutions if they have students from outside the municipality (the may need special assistance, day care etc.).³⁸ Consequently if a village dweller frequented the municipal secondary school of the neighboring town, his school has been better positioned than if he had frequented a church run school. The issue may not seem to be crucial in the whole complex of the education system, but churches seem to be keen on safeguarding the principle of equal funding as a major achievement of Hungarian ecclesiastical law. Applying this principle in detail may require special attention: For example staff of church run institutions is entitled to the same discount in public transport than public servants.³⁹ Church run schools were also involved to the program promoting milk consume, providing a certain amount of dairy products to children free of charge.⁴⁰

The principle of equal funding was also reinforced by the agreement with the Holy See concluded in 1997⁴¹ as well as the agreements concluded between the government and the mainstream Protestant denominations in 1998. Also the law on Church finances of the year 1997 restates the principle. It is important to note that these subsidies are due to the Church maintaining the institution and not directly to the institution itself. In the sphere of education the Churches receive the subsidy equal to the public spending on public schools at the national average: in some municipalities they may be better off than the public schools, while in others they are in a less favorable position, depending on how much the municipality can spend on its school from its own revenues. The funding of church run social and health care institutions is less elaborated, but the principle of equality is supposed to bind these spheres too.

In 2007 the mixed commission of representatives of the Holy See and the Hungarian Government addressed the issue in the light of the agreement on financial issues of 1997, but the series of talks had no real outcome. Government intended to open the possibility for all religious communities that maintain schools or institutions of higher education to sign an agreement assuring the public funding of their institutions.⁴² The wording of the proposed agreement has followed closely the 1997 agreement concluded between Hungary and the Holy See, basically repeating formula already ex-

³⁸ Act cxxxv/2004. (on the budget of 2005)

³⁹ Government Decree 85/2007. (IV. 25.) Korm.

⁴⁰ Minister of Agriculture and Rural Development Decree 158/2007. (XII. 28.) FVM.

⁴¹ The principle of the equal funding of public activities is in good compliance with canon 797 of the Code of Canon Law (CIC) urging in the name of the *iustitia distributiva* the truly free choice of schools for the parents.

⁴² Government Resolution 2066/2006. (IV. 3.) Korm.

isting in various laws. In the two months that were open for signature no church joined the agreement. Government promised a new decree on the calculation method of the funding due to church schools for the first half of 2007, the new decree, however was not adopted so far.

CONCLUSION

The financing of churches – partly by making public funds available – shows how a strict, but benevolent separation works. Public funds for the churches are inevitable in Hungary at the present time for historical reasons as well with regard to the public role of churches. These funds, however, are provided in such a way, that the state respects the freedom of the churches and they operate in separation from the state. Agreements concluded with denominations – especially the agreement on financial issues concluded with the Holy See in 1997 – have contributed to the stability of system.