

**Executive Council Joint Standing Committee on Finances for Mission
Proposed Budget for the 2016-2018 Triennium
February 2015**

Executive Council's Finances for Mission Committee began work in the fall of 2012 on the budget for the 2016-18 triennium that Council will propose to the Program, Budget, & Finance Committee (PB&F) for the 78th General Convention. The Committee included at every meeting the Chair, Vice-Chair, or other representatives of PB&F in its deliberations, in order to make the work of both bodies more collaborative and the overall budget process more fluid. Council's budget process has included wide input from many people across the church. We asked each Committee, Commission, Agency, and Board (CCAB) of the church to undergo a visioning process and create budget priorities for its area of ministry. The Joint Standing Committees of Executive Council then reviewed the input of the CCABs and created priorities for their areas of ministry. Finances for Mission, working closely with the officers of The Domestic and Foreign Missionary Society (the Presiding Bishop, President of the House of Deputies, Chief Operating Officer, and Executive Officer of General Convention), then consolidated all the visionary input into a visionary budget draft.

At the same time, Finances for Mission solicited input from the wider church regarding the diocesan asking. We sent a survey to bishops and deputies, led a conversation in the House of Bishops, and discussed the issue of the diocesan asking with the members of Executive Council. The input received has been incorporated into this proposed budget.

In November 2014, Finances for Mission released a draft budget to the public, and received input and comments on the draft from around the church. We wish to express our appreciation for all those who contributed comments and feedback, which has been very helpful in modifying the November draft. The final proposed budget represents the results of this work.

This narrative will highlight, first, the changes made to the November 2014 draft budget as a result of the feedback received from the wider church. Then, the narrative will continue with general comments about the budget.

Changes to the November 2014 Draft Budget

This proposed budget includes the following changes from the draft budget that Finances for Mission released in November 2014.

- Line 2: Because the comments included many requests for additional funding, we have increased revenue by changing the exemption amount. For the 2013-15 triennium, each diocese was eligible for a \$120,000 exemption from the diocesan assessment. Our November 2014 draft proposed raising the exemption to \$200,000. This proposal raises the exemption instead to

\$175,000, which increases total revenue compared to the November 2014 draft. Each diocese will see its exemption increase by \$55,000, which will represent triennial savings of \$27,225 for each diocese with annual income in excess of \$175,000.

- Line 62: In response to feedback received, and to the high priority of formation ministries, we have increased the grant for Forma, an independent network supporting Episcopal Christian Formation ministries, from \$50,000 in the November 2014 draft to \$100,000 in this proposal.
- Line 121: The amount of grant funding for Mark V, Creation Care initiatives, has been increased from \$200,000 in the November 2014 draft to \$500,000 in this proposal. This restores it to the 2013-15 budgeted amount..
- Line 167: This is a new fund for long-term sustainability development for dioceses within the United States (reduced slightly from the previous draft). The block grants to these dioceses for operations and indigenous ministries are maintained at the current level in Lines 149, 150, 152, and 153.
- Line 173a: The amount designated for the two remaining Historically Black Colleges has been recalibrated to reflect actual spending, resulting in a \$250,000 increase over the amount in the November 2014 draft.
- Line 173b: A new budget line item totaling \$400,000 has been established for long-term sustainability grants to help The Episcopal Church better address its responsibility to support higher education, particularly Historically Black Colleges, including financial, administrative, leadership, and other forms of support. A new working committee will be established by Executive Council to administer these grants.
- Line 213b: A new fund totaling \$300,000 has been established to aid covenant partners (Anglican Communion Provinces which were previously part of The Episcopal Church) in working toward sustainability.
- Line 216: The grant to the Province of Mexico, one of our covenant partners, has been increased to \$350,000, in response to concern by the World Mission Committee of Executive Council that the proposed effort to bring the funding in line with the original covenant was too rapid.
- Lines 265-268: Collaborative work has been done on the budget for the United Thank Offering, with the Governance & Administration and World Mission committees of Council working closely with the UTO Board and DFMS staff..These lines now reflect the full projected cost of UTO Board Travel and Meeting costs for the coming triennium, which were not reflected in the previous triennium's budget. The majority of these costs are offset by

income from DFMS trust funds that are available for UTO activities. The budget provides support for UTO beyond the trust fund income.

- Line 285b: Funding for the General Convention Children's Program of \$25,000 has been added.
- Line 292a and 292b: Support for Provincial Coordination was originally proposed to be shifted entirely to the diocesan level. This draft restores the full funding for Province IX and full funding for translation services. It phases out the funding for Provinces I-VIII over time, providing full funding for 2016, half funding for 2017, and phasing out the funding in 2018. This allows the provinces time to build their relationships with the dioceses so that the dioceses will be willing to support the provinces. Finances for Mission calculations indicate that because of the cut in the diocesan assessment over the same period, the dioceses in each province will save significantly more than they are being asked to support. We estimate that those savings will range from \$211,000 in Province VII to over \$1.5 million in Province V. Because of these significant savings in diocesan payments to DFMS, we believe that it is reasonable that the dioceses in each Province (except Province IX) can pay an additional \$15,000 in provincial support. The phase-out over time allows the provinces to increase their contacts with their dioceses in order to build that support.

Finances for Mission considered carefully the comments received in two other areas of the budget, and after extensive discussion, did not make any changes to the amounts in the November 2014 draft. These areas are:

- Line 4b, Income from Development Office. After extensive discussion with the Director of Development, Finances for Mission believes that it is reasonable for the Development Office to raise \$2 million for the mission expenditures of the church. The Development Officer believes it will be to the Development Office's benefit to have an increased list of giving options to present to prospective donors. FFM will leave the details of how these opportunities are presented to the Development Office and to management.
- Lines 149-153, Grants to U.S. Dioceses. DFMS management discussions with these dioceses about the appropriate kind and level of support are ongoing, so Council has left these amounts the same as in the November 2014 draft budget for the present. It is anticipated that if necessary, proposed changes may be presented directly to PB&F by management. It should be noted that Line 167 includes \$1.5 million of proposed long-term development grants intended to help the mission of these dioceses.

Below are some general comments about items found in this budget.

Revenues

Diocesan Asking: Finances for Mission has responded to input from the wider church indicating that many people desire a reduction in the diocesan asking amount. The proposed budget makes two changes in the diocesan asking.

- First, it raises the exemption for each diocese's income from \$120,000 to \$175,000.
- Second, this budget also lowers the asking percentage for the remainder of income from 19% in the current triennium to 18% in 2016, 16.5% in 2017, and 15% in 2018. We believe that this gradual reduction in the asking percentage is a responsible way to work toward a lower asking of 15%.

Draw from Investment Assets: The budget draft assumes that we will continue to draw income from our investment assets at 5%, well under the earnings rate of 8% over the last 20 years. This draw will allow the investment principal to continue to grow to support the mission of the church.

Income from Development Office. In the current triennium, the Development Office was funded by a seed grant from the endowment assets. Finances for Mission does not support continuing to fund the Development Office in this way. Instead, we are proposing that the Development Office raise \$2 million for the mission of the church.

Rental Income: Rental income resulting from our rental of space the church does not use in the Church Center building has increased substantially. This is partly due to Church Center staff vacating additional space and making it available to rent to new tenants. In addition, we are proposing to begin charging rent to affiliated entities with offices in the Church Center. Rental income also includes imputed rent from Episcopal Relief & Development, which uses space in the Church Center, but this rental income is offset in full by a grant to Episcopal Relief & Development.

Expenditures

Total expenditures are projected to increase by \$5,722,507. This budget expects staff compensation and benefits expenses to increase by some 10-11%, as a result of cost-of-living adjustments of 2% and estimated health insurance premium increases of 8.5%. We do anticipate some reductions in total staff costs over the course of the triennium, resulting from increased efficiencies in a variety of areas. These proposed efficiencies have not yet been allocated to budget categories, but are reflected in total on line 361 of the summary page.

As we decrease the diocesan asking, making more money available for local mission, we also anticipate shifting costs in some areas to the diocesan and local levels, thus decreasing churchwide expenditures. We also recognize the widely valued place of the churchwide structure in providing grant incentives to support local mission. This budget proposes continuing to provide grants for mission initiatives in all five Marks of Mission categories.

The projected expenditures in this proposed budget break down as follows:

Mark 1: Proclaim the Good News	15.2%
Mark 2: Teach, Nurture, Baptize New Believers	3.1%
Mark 3: Respond to Human Need	7.2%
Mark 4: Challenge Unjust Structures	3.7%
Mark 5: Safeguard Creation	0.4%
Supporting Mission Through Local Efforts	21.9%
Anglican, Ecumenical & Interfaith	7.2%
Governance	12.1%
Administration	29.5%
Staff Cost Adjustments	(0.3)%
Total	100 %

Below are some comments about specific line items in this proposed budget.

Mark 1: This budget proposes that we increase the amount of seed grants for new church plants and Mission Enterprise Zones from \$2 million to \$3 million. We recognize that planting new worshipping communities, especially those reaching out to populations that are currently under-represented in The Episcopal Church, is essential to the future of the church and the proclamation of the gospel.

Mark 2: In the 2013-15 triennium, grants were provided to help Province IX dioceses achieve self-sustainability. This work is almost complete in some areas and is ongoing in others. The total amount of the grants is reduced in this proposal because the work is almost complete in some dioceses.

In addition, this budget recognizes the high priority of youth, young adult, and campus ministries. It increases the amount of Mark 2 grants for campus ministries from \$300,000 to \$400,000 in order to reflect the vital nature of our work with young adults and the high demand for these grants in the current triennium. It retains full funding for the Episcopal Youth Event, youth, young adult, and campus ministries, while shifting some other work not related to youth and young adults to the local level.

Mark 3: This proposed budget retains grants for the Young Adult Service Corps at the current level. It increases funding for adult volunteer missionaries. It retains federal ministries funding at a similar level to the

current triennium. It also proposes providing \$800,000 of seed grants to match world mission work done by dioceses and local parishes. It is intended that this \$800,000 of funding provide incentives for this work, as well as meeting The Episcopal Church's 0.7% commitment for the Millennium Development Goals.

Mark 4: This draft continues funding for Jubilee Ministry Grants, concentrating them in areas of priority. We will no longer expect Mark 4 funding to cover communications in this area, instead expecting the Communications office budget to cover all communications. Funding has been added for Regional Poverty Conferences, an event on Human Trafficking, and Jubilee Ministry Networking. Funding in the Advocacy & Social Justice office has increased to reflect the Racial Reconciliation Officer added in 2014.

Mark 5: Total funding of \$500,000 has been designated for Creation Care Initiatives. In response to comments received from the wider church, this restores it to the current triennium's budgeted level by means of a \$300,000 increase over the November draft.

Supporting Mission Through Local Efforts: Grants and appropriations to TEC dioceses have been retained at similar levels to the current triennium. Funding for the US dioceses of North Dakota, South Dakota, Navajoland, and Alaska, is under current discussion with DFMS management. Therefore, the funding proposed in the November 2014 draft budget has been retained, though we anticipate that management might propose changes to PB&F. This budget therefore reflects level funding for the next triennium, plus a block of \$1.5 million for long-term development grants for those dioceses.

Total funding for Historically Black Episcopal Colleges has been reduced because one of the three institutions has closed; funding for the remaining two institutions remains at current levels. A new block of Educational Enterprise Grants of \$400,000 has been created to benefit higher education.

Expenses for the Development Office show a large increase because of the addition of new staff required to continue and expand this work. This budget expects that the Development Office will raise \$2 million for the mission of DFMS, in addition to its ongoing work in Haiti, Navajoland, and other projects.

Anglican, Ecumenical, and Interfaith Work: Funding for the Anglican Secretariat has been restored to pre-2012 levels, totaling \$1,200,000 for the 2016-18 triennium. Additional funds have been provided for travel to other Anglican provinces. Grants within the Anglican Communion have been retained at similar levels to the current triennium. Funding for ecumenical

and interfaith work shows a slight increase, with some reallocations between the various groups.

During the 2013-15 triennium, The Episcopal Church fulfilled its Millennium Development Goals commitment by a grant to Episcopal Relief and Development (ERD). By agreement with ERD, the direct grant is no longer required; instead, this budget reflects the provision of free office space in the Church Center building to ERD as a grant. This budget provides seed grants for world mission work to meet the MDG commitment; see Mark 3.

The lines related to the United Thank Offering reflect the full cost of board travel and meeting expenses (which were not reflected in the previous triennium's budget), partially offset by income from trust funds available for that purpose.

Governance: Funding for Commissions, Committees, Agencies, and Boards (CCABs) reflects the expectation that the next triennium will bring fewer CCABs (or, alternatively, task forces), but that they will meet in person more often to provide opportunities for more thorough work. A new line item for Title IV training reflects funding to help diocesan officials and disciplinary boards learn about Title IV. Total funding for Executive Council remains the same as the current triennium. Support for Provincial Coordination is reduced, reflecting the fact that this budget leaves additional funds at the diocesan level for direct support of provincial ministries by their constituent dioceses. Support for the House of Deputies office is increased to provide a more reasonable travel budget, including funding for travel and continuing education for the chancellor and parliamentarians. Funding for the Office of General Convention is increased to provide upgrades necessary to take advantage of improved technology. Funding for the Archives is increased to continue the process of digitization. The budget for the General Board of Examining Chaplains reflects the expectation that diocesan user fees will cover the complete cost of administering the General Ordination Examinations.

Administration: Administration costs reflect some increases, including the addition of an officer to coordinate work in Haiti (a position funded during the current triennium through a grant from Episcopal Relief & Development), increased Directors' & Officers' Insurance, higher audit costs, and technological upgrades required in the Information Technology department.