



The General Council on Finance and Administration

Financial Narrative: The Possible Impact of Proposed Legislation to the General Conference 2020

The information contained in this document has been compiled by staff and Officers of the Board of Directors of the General Council on Finance and Administration (GCFA) to further the goal of informing The United Methodist Church of potential financial impact of proposed legislation to be presented to the General Conference 2020.

The quadrennial general Church budget to be presented to the General Conference is currently \$494 million, an 18% reduction from the 2017-2020 budget. Passage of legislation could lead to further reduction – e.g., should adopted legislation lead to a 20% loss of churches/membership, the budget would be reduced by an additional \$99 million. That would be 35% lower than the 2017-2020 budget.

Additionally, one proposed plan calls for certain programs to remain unchanged from the current proposed budget (e.g. Africa University and the National Plans), does not alter the number of Bishops or the Episcopal Fund, and includes a \$27 million payout. If all of these remain as proposed and there is a 20% reduction in churches/membership, the cumulative impact on the remaining general Church funds and agencies would be as much as \$241 million (49%) reduction from the 2017-2020 budget.

Given the existence of conversations on declining membership, decreased giving to general Church apportioned funds, and make-up of the Church, GCFA presents the following information and welcomes your feedback by February 15, 2020, 3:00pm CT to gcfa@gcfa.org.

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FINANCIAL REALITIES AND CONSIDERATIONS IN PLANNING FOR THE IMPACT OF PROPOSED LEGISLATION

To give a perspective on the impact of the general Church finances, every 1% decrease in the apportionment base would reduce the quadrennial general Church apportionments by approximately \$5 million. For example, if the apportionment base decreased by 20%, the cumulative impact on apportionments would be approximately \$99 million. This would be in addition to the 18% reduction currently proposed by GCFA for the 2021-2024 budget.

The following is a list of possible ways to offset the potential impact of the proposed legislation on the general Church budget:

- Prioritization of ministries.
- Consolidation of support and program functions of the general Church provided in the current structure.
- Consolidation of office buildings and locations.
 - The general Church is currently located in 5 cities and 10 separate buildings.
 - Many properties in Nashville have greatly appreciated in value.
 - Move to a single location away from downtown Nashville which would realize a significant influx of cash.
 - This would also serve to reduce overall cost of operation.
- Consolidation of general Church agencies, as a significantly smaller denomination may not be able to support the structure and ministries as they currently exist.
 - Legislation is currently proposed for the 2020 General Conference.
 - Alternative scenarios could also be developed.
- The proposed budget designates \$154 million (31%) for educational ministries (listed below). For consideration: Does a smaller denomination alter or reorganize this support?
 - Ministerial Education Fund – 15.5% of the proposed budget.
 - 75% administered by the General Board of Higher Education and Ministry (GBHEM) primarily for denomination supported seminaries.
 - 25% retained by the annual conferences, used primarily for scholarships and support to seminary students.
 - Black College Fund – 7.2%
 - Central Conference Theological Education Fund – 1.4%
 - Young Clergy Initiative – 1.2%
 - Africa University – 1.6%
 - Other ministries of GBHEM – 4.3%
- The Episcopal Fund is \$98 million (20% of the current proposed budget).
 - In 2017-2020, it was \$92 million (15% of the budget).
 - Without any changes to the structure of the Episcopal Fund and an assumption of a 20% loss in the apportionment base, the Episcopal Fund would then become 25% of the proposed 2021-2024 general Church budget.
 - The current quadrennial costs for an Episcopal area are:
 - U.S. – \$1.4 million/Bishop – 46 Episcopal areas.
 - The current number of Bishops is determined by the formula in ¶404 of the *Book of Discipline* (BOD). The current minimum number of bishops

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- per the BOD is five. Every reduction of the minimum by 1 would reduce the Episcopal Fund expenditures by \$7 million.
- Eurasia – \$1.5 million/Bishop – 4 Episcopal areas.
 - Africa – \$.8 million/Bishop – 13 current Episcopal areas and 5 new Episcopal areas.
 - Philippines - \$.8 million/Bishop – 3 Episcopal areas.
- Areas for consideration that could reduce the Episcopal Fund budget:
 - The number of Episcopal areas.
 - Compensation and support of Episcopal areas is \$82 million per quadrennium. However, if costs are simply shifted from the Episcopal Fund to the annual conference, no real savings will occur.
 - Salaries and benefits including retirees – \$56 million per quadrennium.
 - Office support – \$21 million per quadrennium.
 - Travel and other support – \$5 million per quadrennium.
 - Support for the Council of Bishops – \$11 million per quadrennium.
 - Meetings – \$5 million per quadrennium.
 - COB meetings – \$4 million (Approximately \$500,000/meeting).
 - Retreat Center = \$350,000/meeting.
 - Hotel = \$650,000/meeting.
 - College of Bishops meetings, COB Executive Committee meetings and other costs – \$1 million per quadrennium.
 - Office, Ecumenical ministries and staff – \$5 million per quadrennium.
- The Judicial Council and the Standing Committee on Central Conference Matters.
 - These are relatively small budgets compared to the whole (\$.6 million and \$.5 million, respectively).
 - With a smaller denomination, the size and structure of these organizations could be evaluated.
- The General Conference. The current formula results in a General Conference Delegate calculation that exceeds the 600-1,000 range in the Constitution.
 - The Commission adjusts the delegate total to be within the range. For example, for the 2020 General Conference, the calculation resulted in a delegate count of over 1,300. The Commission adjusted the number of delegates to 862 in order to be as close as possible to the delegate count of 864 in 2016.
 - Reducing the delegate count can result in variable cost savings of approximately \$4,500 – \$5,000 per delegate.
 - These variable costs include per diem, housing, flights/visas, interpretation, equipment/facility and a portion of the Advanced Daily Christian Advocate costs.
 - With potential reductions in the number of churches/membership, changes in the delegate formula in the BOD could be considered.

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**POTENTIAL FUNDING SOURCES OF \$27 MILLION AS REFERENCED
IN THE PROPOSED PROTOCOL LEGISLATION
(The examples used here do not include the assumption
of a 20% decrease in churches/membership)**

- Increase apportionment Base Percentage. This does not guarantee an increase in collections.
- Reduce allocations to general Church agencies and general Church apportioned funds other than Episcopal, Africa University and funding for National Plans.
 - These remaining budget dollars total \$376 million. This represents a 7.2% reduction above the significant reductions already in the proposed 2021-2024 budget.
 - Current reductions in the proposed 2021-2024 budget are:
 - Ministerial Education Fund – 27.0%
 - Black College Fund – 15.5%
 - World Service Fund – 21.3%
 - United Methodist Communications (UMCOM) – 35%
 - General Board of Global Ministries (GBGM), General Board of Church and Society (GBCS), GBHEM – 20%
 - Discipleship Ministries (DM) – 15.5%
 - Central Conf. Theological Education Fund – 30%
 - Young Clergy Initiative – 14%
 - Other Commissions - .5%
 - General Administration Fund – 18.4%
 - Interdenominational Fund – 87.1%
- Permanent Fund
 - Total Balance at 12/31/19, \$13.5 million
 - Donor gifts – \$5.6 million principal
 - Accumulated earnings – \$7.9 million
 - Potential uses of the Permanent Fund based on original intentions:
 - Provide a safety net to the Episcopal Fund due to lower collections and no reserves
 - Provide funding for any called sessions of General Conference
 - Other potential uses include operational, legal and administrative costs incurred by the post-separation UMC
- Investment related real estate of general Church agencies (not related to church operations)
 - Property held by DM/GBHEM
 - Parking lots held by GCFA
 - Parts of UMC building in Washington, DC
 - Property held by GBGM
- Contributions from other sources
 - Annual Conferences
 - Wespath
 - United Methodist Publishing House (UMPH)
 - United Methodist Women (UMW)
 - Others

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