Category 3 Remit

Study Guide for Remit 4: Funding a New Model

Approved by the 42nd General Council 2015

Between February 2016 and 30 June 2017, each presbytery and pastoral charge governing body will formally be asked in a category 3 remit to approve a new funding model for the church.

This is the question to be voted on:

> Does the presbytery/pastoral charge agree to a new funding model for the United Church with the budgeting process guided by the following principles?
>
> (1) use Mission & Service to fund ministry and mission activities;
>
> (2) fund governance and support services of other courts/councils by assessing communities of faith/pastoral charges;
>
> (3) share assessments equitably across the whole church;
>
> (4) permit Conferences/presbyteries/regional councils to use additional resources for regional purposes; and
>
> (5) encourage sharing of all resources across the church.

Summary

This remit would approve giving the General Council the power to assess pastoral charges to cover the costs of governance and support services for the denomination.

Currently, presbyteries have the power to assess pastoral charges to cover their expenses. Conferences also have the power to assess, and their funding comes from the assessments as well as grants from the General Council. These grants are funded through Mission & Service as well as from other donations. The General Council does NOT currently have the power to assess, so its costs are covered by Mission & Service, donations, investment revenues from funds held in reserve, and donations.

This remit proposes a single assessment model to fund the General Council (or Denominational Council, if Remit 1 passes) and regional levels of the church that will be both more equitable and transparent. If approved, it would mean that governance and associated support services at all levels of the church, beyond the local pastoral charges, would be funded through assessments.

For the rationale behind the original proposal adopted by the 42nd General Council 2015, see Backgrounder #10: Finances (www.gc42.ca/comprehensive-review-report).

Why a new funding model?

These are some of the principles that guided the Comprehensive Review Task Group's original proposal:

- The General Council (or Denominational) Office would spend only what it receives.
- The amount of revenue received would determine the number of regional and General Council staff and their functions.

- The General Council would fund governance and associated services by annually assessing pastoral charges/communities of faith on behalf of both the General Council and the regions.

Funding both regional and national support and governance work from assessment will also mean that all pastoral charges will bear their fair share of broader church costs. This would result in equitable contributions to the work of the church, and the regional and national church structures would become more aligned with pastoral charges/communities of faith, growing or shrinking as they do.

Having assessments fund governance and associated services at all levels of the church is an approach that is consistent with the way most denominations in Canada and around the world are funded, although the rate proposed here is much lower than those of other denominations.

A consistent, revenue-based assessment formula—first proposed to General Council by Manitou Conference—would replace over 30 different formulas now in place. The revenue-based model was approved by the General Council Executive because it:

- is easiest to explain
- more fairly recognizes the ability to pay, particularly for rural and smaller congregations
- is transparent
- is externally verifiable

Presbyteries currently use various permutations based on operating cost, membership, number of donors, households, and so on. Newfoundland and Labrador Conference and a few presbyteries have already moved to a revenue-based formula. In-depth analysis suggests that revenue is a fairer measure of ability to pay, and is fairer to smaller and more rural settings. A standard formula is more transparent and easier to explain.

Mission & Service

The work of The United Church of Canada across the country and around the world is currently funded by Mission & Service. Most of this funding comes from voluntary gifts of members or adherents, or through estate gifts. Mission & Service funds programs delivered by General Council Office staff as well as associated common office services, grants for community ministries, chaplaincies, pastoral charges in need of support, plus grants for running the Conferences.

Switching to an assessment method would make a clear distinction between funds used for the governance of the church and those used for Mission & Service. Donations to Mission & Service will only be used for mission and ministry expenditures made regionally or nationally, including grants to global partners and community ministries in Canada.

Considering how vital Mission & Service is to this church, it can be hoped that congregations or donors do not choose to decrease Mission & Service donations in order to pay for a higher assessment. The clearer purpose for Mission & Service may also attract new and younger donors.

The proposed assessment formula

The overall concept is to consider all revenues received and subtract outward giving and one-time amounts. The exact assessment formula, to be approved by General Council/Denominational Council, will be refined over the next two years but will not be higher than 4.5 percent of total revenues raised for pastoral charge operations (Column 32D in the annual statistics report), adjusted for outward giving, bequests, and asset sales. For example, Mission & Service giving and refugee sponsorship donations would be subtracted from the assessment base.

A more equitable assessment framework for pastoral charge assessment

Assessment Base: Total revenue less outward revenues

	Line 32D		Total revenue
	minus	line 36	M&S raised congregation
		line 37	M&S raised UCW
		line 38	Other church appeals
		line 39	Other outreach, bequests, and asset sales
	Net revenue for assessment calculation x 0.045		

(If the increase is less than 10 percent, the calculated number will apply. If the increase is greater than 10 percent, a pastoral charge may elect to limit the increase to not more than 110% of the previous year's assessment.)

Transition factors

National statistical reporting will be changed so that asset sales and bequests are reported separately.

To allow for unusual fluctuations year over year, the average of the prior three years' statistics will be used (as is commonplace today).

It is unlikely to ever be a factor, but for assurance, 4.5% of line 32D has been set as the maximum level for assessment, and most pastoral charges are expected to be below that. For the foreseeable future, any increases will be focused on completing the transition to all pastoral charges contributing in equal proportion.

It is already a common practice to use a multi-year average for assessment formulas, and this practice would continue to be applied to smooth out unusual year-over-year fluctuations in revenue.

The mechanics of the model outlined in this document have been approved by the General Council Executive and will go to the next General Council for its approval. Phased-in transitioning is part of this model.

Pastoral charges could choose to implement the new formula right away. However, since a majority of congregations will see an increase in levied assessment costs in the first year of implementation (either 2018 or 2019), a phase-in approach is recommended. Pastoral charges could elect an option that would limit the increase in the first year of implementation to 10 percent more than the prior year's assessment, with that level of assessment frozen for the next two years. General Council/Denominational Council would need to approve any subsequent cost-of-living adjustment or further steps to fully implement the new funding formula. The three-year phase-in period would allow for evaluation and living into the new model.

In approving the move to a national assessment, the General Council directed that there be room in the funding model for regional (or Conference, if Remit 1 does not pass) differences, as is the case today. First, existing regional investments and any other funding sources and the ability to deploy them regionally are not affected by the decision on this remit. Second, a regional council could choose to assess pastoral charges/communities of faith over and above the core assessment paid to the General Council/Denominational Council.

If this remit is approved, the billing and collecting of assessment will be as streamlined as possible. The General Council/Denominational Council will work with Conference/regional bodies to assess each pastoral charge/community of faith annually and distribute the amounts collected regionally or nationally as agreed in advance.

What is a category 3 remit?

A category 3 remit is required for substantive, denomination-shaping changes to the Basis of Union (*The Manual,* s. F2). A category 3 remit also requires that a study process be available in the church before the remit is released.

The proposed change must be sent to all presbyteries and the governing body of every pastoral charge for a vote. If an absolute majority of the presbyteries and an absolute majority of the pastoral charges vote in favour of the proposed change—not just a majority of those that vote—then the next General Council must also vote in favour of the proposed change for it to take effect.

NB: If a presbytery or pastoral charge does not vote, that is considered a vote AGAINST the proposal.