

How Apportionments Are Calculated



West Ohio Conference
United Methodist Church
Conference Treasurer's Office

As he was passing the church office following choir rehearsal, Carl noticed the lights were on. "Who's still here at seven o'clock in the evening," he thought? He poked his head in the door to see Jerry, the church treasurer, working with a stack of papers.

"Burning the midnight oil? What dedication!", teased Carl.

"Dedication has nothing to do with it," replied Jerry. "The new budget is due when the finance committee meets tomorrow night. Have you ever been cross-examined by Mrs. Cranshaw? She's not malicious. She just wants to know where every penny is spent."

"I'll see your Mrs. Cranshaw and raise you a Mr. Baumgartner" said Carl as he pretended to deal imaginary cards. "That man, bless his heart, never retired. Once a C.P.A. always a C.P.A. When I was on the finance committee, he argued about every treasurer's report. He seldom questioned the data, it was the format that disturbed him. The reports weren't according to 'Generally Accepted Accounting Practices'. He was right, of course. When the rest of the committee understood what he was really saying, we made the changes - for the better. I know what you're talking about. But really, the report to the finance committee shouldn't be any problem for you. You practically wrote the budget by yourself."



"Not really. All the committees submitted their proposals. I just put them together in a readable form and suggested some adjustments. I do think I can explain all the details of the money we'll spend," said Jerry with some pride. Then his face tightened. "Except these apportionments from the West Ohio Conference. I think I know how they are spent, but

I haven't a clue how they're calculated. If someone asks a question about them and I hesitate, even for a moment, they'll sniff out that I don't know and move in for the kill. They can be like bloodhounds. Hey, Carl, you've been on conference committees and attended the annual conference session a few times. How about a little help?"

Carl grinned. "It will cost you a cup of coffee."

"No problem. There's a little left in the pot - been brewing since early this afternoon. It ought to be burned enough for your taste."

Carl drained the pot of a black-brown liquid and sipped it with delight. "Distilled down to almost pure caffeine!". He sat down on a stool next to Jerry. "Look, don't be so hard on the finance committee. They are just doing their job. We all have to be good stewards of the resources God gives us. The church is usually strengthened when people ask questions." Carl pulled up a tablet of paper and began to sketch a table of figures. "There isn't just one apportionment; there are actually seven. The conference budget includes seven different funds. The total budget is recommended by the Conference Council and Finance and Administration, then debated and voted upon by the entire Annual Conference."



"That's just like what we do!" exclaimed Jerry. "The finance committee presents the budget to the Administrative Council and then it's voted upon at the Charge Conference."

"Exactly." Carl listed the seven funds. "There is no particular order to the funds, but the first one listed is the Connectional Administration and Ministerial Support Fund. Money from this apportionment provides support to churches that

can't otherwise afford a pastor. For example, the Cherry Blossom United Methodist Church down on old Route 25 gets money from this fund so that Rev. Smith can serve there. The rest of the fund is used to pay the district superintendents salaries, staff salaries, conference office operations, heat, lights, insurance."

"Those expenses sound familiar. We have them in our budget, too."

The Seven Apportioned Funds

Connectional Administration & Ministerial
Support

Conference Center Fund

Pensions and Health Benefits

World Service and Conference Benevolences

General Church Benevolences

General Church Administration

Ecumenical Ministries

"Then there is the Conference Center Fund. This was money used to build and equip the new conference center. Actually, the conference paid cash for everything to keep the costs down. With this fund we are repaying ourselves. In a few years the money will be repaid and this part of the apportionment will disappear."

"That sounds like what we did a few years ago when we put in the elevator."

Carl continued the list. "The Pension apportionment is really deferred compensation for our pastors. It helps to pay their pension and the retiree's health insurance."

"Wait a minute," interrupted Jerry. "We pay a bill from the General Board of Pensions each month. Why should we also pay for pensions through apportionments?"

“Good question. The monthly bill is for our pastor’s pension only. But she also has life and disability insurance. These are in the apportionments. Also, under the pension program before 1982, we promised to pay our pastors a pension, but never set aside enough money to do it. The pension apportionment helps to fund those retired pastors. We also pay the Medicare supplemental health insurance for all retired pastors and their spouse. All in all the bill is about 3.5 million a year.”

“The next apportionment,” continued Carl “is the World Service and Conference Benevolence Fund. This is money used for mission and ministry within West Ohio, across the country and around the world. The Book of Discipline says that this is the first benevolence responsibility of every church. In other words, we are supposed to pay this apportionment before we give to other causes. The fund itself is divided into two portions. For every dollar we send in, about fifty cents is used in our conference and fifty cents is used for a worldwide ministry. “

”How does that differ from the General Church Benevolence Fund,” asked Jerry?

“The General Church Benevolence Fund goes to specific ministries. For example, a portion goes to support our seminaries and a portion stays in the conference to provide scholarships for our pastors. Part of it goes to the Africa University and part is spent by the Black College Fund.”

“I didn’t know our church was active in so many areas of the world. I guess we really are a global church.”

“And becoming more so every day. The church in Africa and the former Soviet Union is growing at a compound rate. The General Church Administration apportionment helps keep all the church connected. Most of it goes to pay for the General Conference meeting that held every four years. The rest goes to support the bishops, their offices and their benefits.”

“The seventh apportioned fund is the Ecumenical Ministries Fund. About half goes to the Ohio Council of Churches

and the remainder is sent to the General Church for the United Methodist Church's participation in national and international ecumenical relief work."

"Let me see if I understand this," said Jerry. "There are really seven apportionments. Some stay here for mission and ministry in the West Ohio Conference, some are really deferred pastoral benefits, and some goes for mission and ministry in the United States and around the world."

Three Types of Apportionments

Mission & Ministry within West Ohio

Mission & Ministry around the World

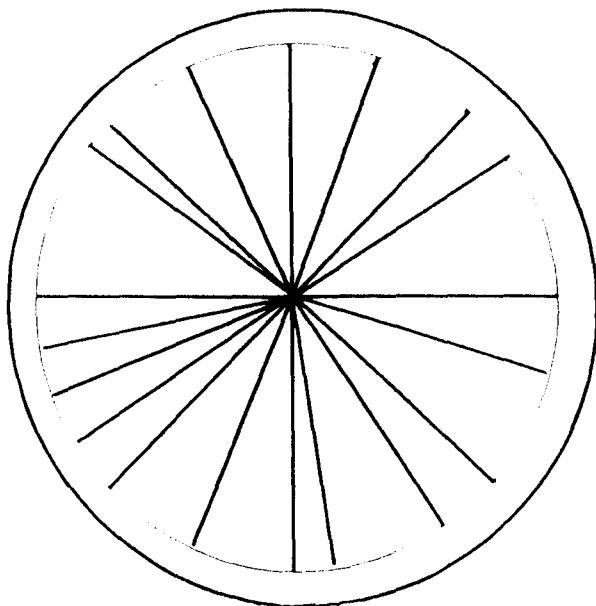
Deferred Pastoral Compensation

"Exactly!" replied Carl. "Every pastor receives mailings from the conference office and United Methodist Communications about these funds. If anyone on the finance committee or in the congregation wants to know more about any individual apportionment, they can get reams of printed material and videos. Mr. Baumgartner was happy to discover that all of the districts, conferences and general agencies of the church are audited every year."

"Yes," said Jerry as he gathered together some papers, "I remember the conference treasurer saying that the United Methodist Church can track down every penny of income and expense. I guess we have the word 'Methodist' in our name for a reason. But I'm still confused about **how** the apportionments are calculated. Who and what determines how much of the conference budget this local church is responsible for? Does the conference treasurer, the district superintendent or the bishop decide what our share is? Who is making the decision?"

“Look across the pews on Sunday morning,” suggested Carl. “Our actions, as well as the actions of all the other United Methodist Churches in West Ohio, determine our apportionments.” Carl flipped to a new sheet of paper and began to draw a large circle. “Imagine the conference budget as a round pizza. Each church represents a piece of the pizza. How should we divide up the pizza? Some would say that every church should get the same size. The conference budget is about \$15,000,000 with 1,300 churches in the conference, so each church would get apportionments of \$11,538. That would be fine for some churches, but it would sink many small churches. In fact, it’s bigger than some churches’ total budget.”

“Duh,” said Jerry in his best Bevis imitation. “No one in their right mind would divide the budget that way. There has to



be some measure of the churches’ size, like their membership. Come to think of it, some churches have more money per member than others. How to you account for that?”

“You’ve hit on a real snag. Over the years conferences have tinkered with the way they calculate apportionments, trying to arrive at a ‘fairer’ system. All have concluded that there is no completely ‘fair’ way to divide the pie. In West Ohio we have followed the General Church’s pattern of weighting a church’s operating expenses at 2/3 and their membership at 1/3. That is, operating expenses, a measure of the church’s wealth, is counted twice as much as its membership, but both are important.”



“So is the conference budget,” said Jerry. “If the conference budget grows, everyone’s piece gets bigger.”

“Exactly!” said Carl. He reached across the table, rummaged through a stack of papers and pulled out one. “Here is the brief explanation of the formula that’s used to calculate our apportionments. It’s sent out with the new apportionments in the fall of each year.”

“I don’t like all the math stuff,” replied Jerry, “but I think I can use it to figure out how much we pay for any given line item of the conference budget. Sometimes someone wants to know how much of our apportionment money is going to support our missions in West Ohio. Now I can tell them. But there is something else I’m still unclear about. A few years ago I read in the West Ohio News that the conference budget was increasing 3%. I told the finance committee our apportionments would increase 3%, which didn’t bother anyone too much. But when we got them it wasn’t 3%, but 5%. Why?”

“If the conference budget increases 3%, then on average, every church is going to receive a 3% increase in apportionments. However, it depends on what happens in each church.”

Jerry’s brow furled. “You lost me with that last statement. If the conference budget increases 3%, then every church’s

apportionments should increase exactly 3%. Why does it depend on what happens in a local church? We're talking about the conference budget."

"Yes, we are. But each church's apportionments will increase exactly 3% if, and only if, every church has exactly the same membership and operating expenses it did the year before. If a church's membership or operating expenses change, then they will have a wider or narrower slice of the budget."

"I get it," exclaimed Jerry. "The conference budget represents the size of the pizza - small, medium, or large. The widths of the slices depend on each church's membership and operating expenses relative to all the other churches in the conference."



"By George, I think you've got it! Conference apportionments are what mathematicians call a 'sum-zero' game. There are no 'winners' or 'losers'. If a church's apportionments increase, there must be a corresponding decrease in all the other churches (assuming the conference budget does not change). There is no 'free lunch' with apportionments."

Carl began a new sketch before he continued. "Then there is the 'lag effect'. Communications are not instantaneous. What happens financially in a local church is summarized at the end of the year. The membership and operating expenses are reported to the conference treasurer's office, where they are tabulated with the other churches and printed for the annual conference session in June. That information along with the conference budget is voted upon. Assuming the budget and statistical reports are

accepted, they become the basis for the next year's apportionments."

"Let me get this straight," said Jerry. "What we did in 1995, for example, we reported on the year-end report to the conference. I think the deadline was sometime in January 1996.

Then in June of 1996 they were

accepted by annual conference and in 1997 we will get the new apportionments."

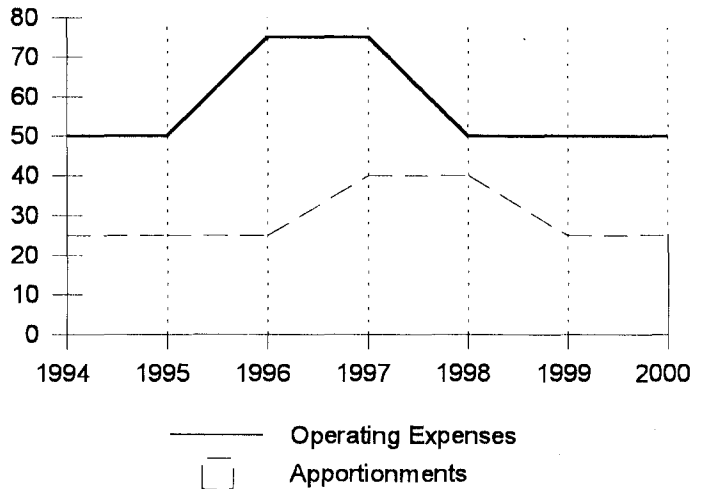
"That's the way it works," said Carl with a grin. "There is almost a two-year lag between an event in the local church and its effect in apportionments. If we hire a new staff person in 1996, for instance, our operating expenses will certainly increase. We'll report that at the end of 1996, it will be processed in 1997 by the annual conference and appear in our 1998 apportionments."

"Hey, that's a good deal," replied Jerry. "We don't have to pay apportionments on the extra expenses for two years."

"Yes, but it works the other way, too," said Carl. "If we decided to reduce our staff, the savings in apportionments won't show up for two years."

"No wonder I'm having a hard time reconciling these apportionments with our budget. I've been looking at the wrong year. I suppose we should be more careful about our reporting. I usually just fill out that Certified Voucher as best I can. I had no

Two Year Lag



idea that it reflected back in our apportionments!”

“You didn’t read the instructions?” teased Carl.

“What instructions?” snapped Jerry. “I never got them. The pastor just gave me the form to complete and mail in. Were there instructions?”

“Several pages of them. This year check with the pastor and secretary to make sure they’ve given you all the information.”

Carl was startled by the ring of the telephone. Jerry answered. “Yep, still here . . . No, no problem. Carl stopped by and we’ve been chewing the fat about apportionments . . . I know. I’ll be home in a few minutes.” He put down the receiver and turned to Carl. “Gotta call it a night. It’s my turn to read bedtime stories and listen to prayers.”

“That’s more important than what we’re doing. I’ll shut off the coffee pot and clean up. One more thing. If you want a full mathematical description of the apportioning process, write the conference treasurer. He derived a formula that shows how each United Methodist church is connected to every other United Methodist church. It’s fascinating. What we do in our church has an effect on every other United Methodist church in the world, and what they do effects us.”

“You know how I hate algebra. Remember, I almost flunked it in high school,” said Jerry.

“That’s because you sat next to Beverly White. She distracted you. You don’t have to know algebra, though it helps. Just read the text and bleep over the formulas. It’s a helpful explanation.”

“Thanks for your help tonight. I think I’m ready for the meeting tomorrow.” Jerry gathered up Carl’s ‘thinking papers’ and stuffed them in his bag. The two men turned off the lights and stepped out in the parking lot. “Have a good time reading the stories and hearing the prayers. I’ll be praying for you tomorrow night”

“Peace, Bro.”

How Apportionments Are Calculated



West Ohio Conference
United Methodist Church
Conference Treasurer's Office
R. Stanley Sutton, Treasurer



West Ohio Conference
United Methodist Church
Conference Treasurer's Office