

## Report No. 8

### APPORTIONMENT FORMULA

*The Book of Discipline 2004* provides that the General Council on Finance and Administration (GCFA) shall recommend the formulas by which all apportionments to the annual conferences shall be determined, subject to the approval of the General Conference (§ 806.1c). This report is therefore concerned with how the provisions of the reports dealing with the World Service, Ministerial Education, Black College, Africa University, Episcopal, Interdenominational Cooperation, and General Administration funds are to be funded. The approved budgets for these and any other general apportioned funds created by the General Conference are to be apportioned separately among the several annual conferences in the jurisdictional conferences in an equitable fashion, so that they and their local churches will have full opportunity to be involved financially in the total mission of the church.

#### Recommendations:

1. GCFA recommended, and the 2004 General Conference approved, adoption of the following Apportionment formula:

The apportionment formula shall consist of three factors:

$$A = E \times (P + i)$$

where A represents an annual conference's general church apportionment, E represents the annual conference's "Net Expenditures" (as an estimate of local church income available to meet local church expenses), P represents the "Base Percentage," and i represents the annual conference's "Percentage Adjustment."

a. "Net Expenditures" (E) consists of the total local church expenditures in the annual conference, less, (1) current capital expenditures, (2) expenditures on capital debt service, (3) payments toward general church apportionments, and (4) all other benevolence giving. The net expenditures will be calculated with the most recent year for which complete data are available. All the components are currently reported through local church statistical reports. The net expenditures for the 2005-2008 quadrennium are:

Data Year	Year	Net Expenditures
2002	2005	\$3,561,438,208
2003	2006	\$3,731,421,000
2004	2007	\$3,949,210,000
2005	2008	\$4,179,710,000

b. "Percentage" (P) consists of a simple percentage set by the General Conference on recommendation of the GCFA. When applied to the "Net Expenditures" for all conferences, it will yield the total to be apportioned for all general church funds. After determining the amount it recommends to the General Conference as the annual total of all apportioned general funds, GCFA recommended, and the 2004 General Conference approved, the "Base Percentage" factor for each year of the quadrennium as follows:

Year	Projected Total Apportioned	Base Percentage
2005	\$147,037,500	4.129%
2006	\$149,355,500	4.003%
2007	\$154,529,500	3.913%
2008	\$161,577,500	3.866%

c. "Percentage Adjustment" (i) is unique to each annual conference. It consists of two factors, one of which measures economic strength in the conference, and the other of which measures the impact of certain local church costs.

The exact value of the "Percentage Adjustment" for a conference would vary during the quadrennium as new economic and statistical reports become available. It would serve to adjust an annual conference's apportionments to reflect changes in the underlying economy in its geographic area, and the relative impact of certain expenses which are imposed upon the local church by factors at least partly beyond its control, such as utilities costs, insurance premiums, property maintenance costs, and annual conference apportionments.

The two factors comprising the "Percentage Adjustment" are determined in the following way:

The first (the economic strength factor) is measured on the basis of per capita income for the counties that comprise the conference's geographic area. Publicly available data from the U.S. Department of Commerce are used. In calculating the average per capita income for an annual conference, county-level per capita income will be weighted by the average worship attendance in the United Methodist churches in that county as reported on line 10 of the 2001-2004 Local Church Report to the Annual Conference.

Each annual conference's average per capita income is expressed as a ratio of the U.S. average. A proportional factor or "slope" is set that limits the size of the adjustment from the first factor to a  $\pm 0.4\%$ .

The second factor in the "Percentage Adjustment" (the local church costs factor) is calculated by adding (1) local church clergy expenses, (2) local church

current operating expenses, and (3) payments toward budgeted annual conference costs (excluding general conference apportionments). The total is divided by average attendance at morning worship services. It is based on amounts reported on the 2001-2004 Local Church Report to the Annual Conference by the local churches in the conference.

This total per attendee is expressed as an index by dividing by the average among all annual conferences. Again, a proportional factor or “slope” is set that limits the size of the adjustment from the second factor to a  $\pm 0.5\%$ .

Local church clergy expenses are defined as base compensation, housing-related and utilities allowances, reimbursements, and other cash allowances paid to or for pastors and associate pastors (paid amounts recorded on lines 63-67 of the 2001-2004 Local Church Report to the Annual Conference).

Local church current operating expenses are those recorded on line 71 of the 2001-2004 Local Church Report to the Annual Conference.

Budgeted annual conference costs are those reported on lines 37, 38, 47-49, 51-56, and 57-62 of the 2001-2004 Local Church Report to the Annual Conference, minus amounts remitted by the local church as payments on general church apportionments.

The two factors are combined to determine the net “Percentage Adjustment” that is added to (or subtracted from) the “Base Percentage.”

2. Using the approved formula, the GCFA will first calculate the total amount to be apportioned to each annual conference for all of the apportioned general funds. The apportionment for each fund will then be calculated in direct proportion to that fund’s approved amount. Each annual conference will therefore continue to receive from the GCFA an annual statement showing its apportionments for each general fund. Each annual conference will continue to have the authority to apportion those amounts to its charges or churches by whatever formula or method it determines (§ 614).

3. If an annual conference decides to combine general church apportionments with each other or with conference apportioned funds for apportioning to local churches, the receipts on such combined funds shall be allocated in direct proportion to the budgeted amounts for each fund or cause included in the combined fund budget, and amounts so allocated to general church funds shall be remitted to the GCFA on a monthly basis.

4. If more than 100% of the amount voted by General Conference for a fund total is received in any given year, the excess funds shall be held in trust by the GCFA in an apportionment stabilization fund. All monies placed in such a fund shall be considered as fund balances restricted by the General Conference to the fund or line item in which the surplus occurred. They shall be held by the GCFA until such time as shortfalls in such receipts occur during the same quadrennium, at which time they may be distributed to compensate for the shortfalls.

If undistributed funds remain at the end of the quadrennium, due to excess receipts beyond the amounts needed to compensate for shortfalls, the GCFA shall recommend for action by the next General Conference how any remaining fund balances shall be distributed, provided that those recommendations shall be consistent with the purposes for which the funds were raised.

5. The Rio Grande Annual Conference and the Alaska, Red Bird, and Oklahoma Indian Missionary Conferences shall be exceptions to the apportionment formula, and the GCFA is authorized to negotiate general fund apportionments with the representatives of those annual and missionary conferences in amounts deemed equitable by the Council and the conferences involved.

6. In adopting this report, the General Conference authorizes the GCFA to make such changes in the language and definitions of this report as other General Conference actions or changed circumstances may require, while preserving as much as possible their substance and content.