



## FINANCE & ADMINISTRATION

General Council on Finance and Administration

THE UNITED METHODIST CHURCH

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Greetings in the name of the Lord! Recently, The General Council on Finance and Administration (GCFA) has been projecting reductions in net local church expenditures, which in turn affects the apportioned funds. Our projections are based on several factors, including current economic realities like inflation, and the rise of disaffiliations across the United States.

In anticipation of upcoming Jurisdictional meetings, we want to share our projections and modeling with you, including possible implications as we know them today of how the upcoming elections could affect the Episcopal Fund. Please understand that this information is being discovered and discerned in real time based on the factors described above. You will receive an invitation to a meeting on Monday, October 31 at 12 p.m. CDT where we will present our projections and modeling and be available to answer questions.

Based on the anticipated decreases, we would urge each jurisdiction to exercise caution in the number of bishops elected during the 2022 Jurisdictional Conference sessions. For example, if a reduction of seven bishops or more across the church occurs during these elections, this would greatly assist the Church in anticipation of further decreases in the number of bishops that could be needed in the next quadrennium.

### Practical Implications

We understand that these reports contain a lot of information, including nuanced financial data. As such, we've attempted to outline possible implications as the data and models stand today. For your convenience, we have directed you to the specific data when possible as outlined in the attached Apportionment Modeling. Please be aware that, as we've seen with the pandemic, economic realities are shifting all the time.

- Currently there are 46 approved Episcopal Areas in the U.S. and 25 in the Central Conference (20 currently filled and 5 new areas in Africa) for a total of 71 approved Episcopal areas. The average cost per Episcopal area globally equal approximately \$310,000 and in the U.S \$350,000.
- Based on the current cost structure (number of approved Episcopal areas, salaries, office & housing allowances, etc.) and apportionment funding level (\$23 million per year), the annual deficit in 2025-2028 would be \$4 million, eroding all Episcopal Fund reserves before the end of 2028.
- When you combine the projected disaffiliation impact of 21% with a 25% Base Percentage reduction (as recommended by the Apportionment Sustainability Taskforce), the impact on overall General Church apportionments would be a reduction of approximately 40%. Without a reduction to the Episcopal Fund by 2027 the reduction to the other 6 General Church apportioned funds will be 50%.
- If Episcopal Fund apportionments are reduced in the 2025-quadrennium to not put the entire burden discussed above on all the other funds and agencies, the results would be:

- 5% reduction to Episcopal apportionments – resulting in a \$5 million annual deficit and Episcopal Fund reserves are depleted before the end of 2027
- 10% reduction to Episcopal apportionments - \$6 million annual deficit and Episcopal Fund reserves are depleted in early 2027
- To achieve a break-even spending annually, spending would need to be reduced as follows:
  - 0% reduction to Episcopal apportionments - 17% reduction in Episcopal spending.
  - 5% reduction to Episcopal apportionments - 21% reduction in Episcopal spending
  - 10% reduction to Episcopal apportionments - 25% reduction in Episcopal spending

Attached are important resources for you as you discern your anticipated elections. Please feel free to share the following information with your committee members. These are as follows:

Apportionment Sustainability Taskforce Recommendations

The Apportionment Sustainability Taskforce reconvened in July of 2022 and continues to recommend and support a 25% reduction in the base percentage. They also acknowledge the reduction is not spread evenly across all general funds and agencies. For example, current legislation that fixes the number of bishops, necessarily results in uneven spreading of the total reduction.

Base Percentage & Apportionment Modeling Powerpoint

Financial modeling depicts various levels of reduction to the Base Percentage as well as funding reductions to the Episcopal Fund.

Review of Economic Advisory Committee Projections

Contained within the Powerpoint are the net expenditures projections, incorporating the disaffiliation survey taken by Annual Conferences from July 2022.

GCFA has been working closely with the Council of Bishops, along with other denominational organizations, and there is an agreement that further conversations around anticipated scenarios will need to take place with Jurisdictional Committees on Episcopacy, as well as a wider circle of jurisdictional committees, between now and the 2024 Jurisdictional Conferences. In their respective roles, Bishop Bickerton as President of the Council of Bishops, and myself have agreed to work together to convene those conversations soon after Jurisdictional Conferences for broader discernment.

We hope these materials aid you in your work, and we want to thank you for volunteering your time and talents for The United Methodist Church. GCFA staff are available to answer any questions you may have.

Respectfully,  
Bishop Michael McKee