

Joint Standing Committee on Program, Budget & Finance

Anaheim, CA

July 6, 2009

The Committee of the Whole assembled for Eucharist at 8:30 AM. Drew Smith was celebrant.

Attending: Pan Adams-McCaslin, Drew Smith, Denis Stark, Jerry Keucher, Anne Bardol, Lyn Headley-Deavours, Francisco Quinones, Pete Dawson, Caspar van Helden, Kurt Barnes, Alpha Conteh, George Councill, Mike Klusmeyer, John Floberg, Keith Whitmore, Katharine Jefferts-Schori, Dan Land, Larry Bingham, Dean Wolfe, Tom O'Brien, Peter Bickford, Tess Judge, Judith Esmay, Mark Hollingsworth, Alan Scarfe, Holly McAlpen, Altagracia Perez, Jon Boss, Bonnie Anderson, Mary Glasspool, Nancy Caparulo. Jim Waggoner was in transit; Blanca Echeverry was likely also in transit. It was unknown whether or not Lloyd Allen would attend with the current unrest in Honduras.

Chair, Pan Adams-McCaslin convened the meeting at 9:15 AM with introductions and remarks whose emphasis was on servant ministry within the work of PB&F.

During an informal "check-in," issues heard from across the church were identified:

- Mission
- Malaise that continues from 2003
- Revenue side of the budget – make sure it is a reasonable projection of what is possible (concern for the deterioration of diocesan receipts).
- MDGs* and how to fund them.
- Healthcare
- Is the proposed budget sustainable?
- Establishing and identifying who The Episcopal Church is in relation to the Anglican Communion.
- How do we fund mission as an expression of who we are, how we deploy staff?
- Finding a balance with technology and communications.
- Screening the work and decision making by the Gospel.
- Economic restraints.
- Needing to listen carefully to get the answers to our concerns.
- What happens to staff engaged in mission work?
- Equity among the sections of the budget – realistically developing a budget that will sustain the church over the next triennium.
- GCO and CCABs - how to get the work done and save money at the same time.
- Concern that Corporate & Canonical is going to swallow up the whole budget and there will be no funding left for mission – things will get collapsed and lost.
- What is God calling the church to do? What are our priorities?
- The financial climate and the anxiety around that.
- Budget and the work are efficient and effective within the available resources.
- Alleviating poverty wherever we find it.
- We have never been realistic about our income – we will have no credibility if we are not sensitive to what the parishes are experiencing.

- We will undergo some pruning and creative dying that needs to happen.
- Hope that we do not “fall back into fear” – continue in hope and make a difference in places that need it most.
- Need a sense of partnership within the committee and within the church and understand sacrifice to fund the budget.
- Communication inward and outward – to be open to the church, pro-actively and openly say what is going on.
- How do we approach ministries with funding that will allow the mission to be fulfilled?
- What ministries can be sustained in bad economic times – which ones will fail in this economic time?
- Balance in the budget between bureaucracy and mission.
- Funding process needs work – how we forecast (more realistic model).
- Dealing with the inequities in the dioceses regarding the support to the budget.
- Anger that we removed the MDGs from the budget – put the line item back (repeated by several speakers).
- Strengthening interrelationships across the church (PB speaking).
- Need a long-term strategy that goes beyond a triennium – how is the church viable in the coming century?
- Focusing on multiculturalism across the church.
- Having particular sensitivity to the least among us.
- Recovering dioceses.
- Understand the Episcopal Church as a missionary organization.
- Opportunity to do exciting and groundbreaking work in PB&F.
- Look at the long-term, systemic issues.
- Challenge the dioceses that are not fully supporting the church.
- Anxiety: opportunity (this is very exciting)
- Transparency (where are we really spending the money? Legal fees in support of dioceses?) Accountability (are our CCABs working as efficiently as they can – using technology to the max and are they enabling dioceses and parishes to do their work better?)
- Is it good stewardship not to pay down some of our debt?
- What are we *really* about? What are the priorities and how do we best address the needs?
- Acknowledge our blessings and know what we are afraid of.
- It isn't business as usual.
- The cost of the General Convention.
- A new way of being the church – hierarchy is not the order of things – there is fresh air, a new way of organizing.
- This is a great opportunity and an exciting time for the church – this may be the opportunity we have been praying for to do the work better.
- Struggle in our structure - unclear about 4 mission centers and cross-over budget; people living where they are living and working and trying to understand what is going on in the decentralization - makes it difficult to do the budget accordingly.
- Struggle within bishop/non-bishop – our collegiality.
- Why New York? That is still a question that continues to arise.
- Young people sense that they are no longer a priority.
- Disconnect with what we spend in Anaheim and those for whom \$1 is a day's wages.

- Denial about the reality of the situation that creates a chain of behavior - some anger, some bargaining.
- A huge change is in process – people will continue to push for things that are just not possible.
- If the budget isn't perfect, mission and ministry are still going to happen.
- Need to look close up and far away at the same time.
- Willingness to make changes, free will to make the hard decisions.
- What is the story after Anaheim that says what the Episcopal Church is?
- *Transparent budget process has been longed for (President of the HOD speaking).*
- *0.7% not in the Executive Council budget has created a great deal of "energy."*
- *Pitting things against each other - pitting MDGs against domestic poverty (poverty is poverty); pitting the HOB/against the HOD (we are the church - we are meant to work together); pitting the C/C against the mission portion of the budget (we have a theme - Ubuntu - we are the people of God). Let's say it's not an either/or - it's a both/and - find God's abundance. Call on the Holy Spirit to make her presence known. We set the mindset of the GC.*
- *PB&F can set an example - we know where our power comes from.*
- Title IV revision is of concern (if it ain't broke, don't fix it).
- Racial reconciliation and reparations.
- Acknowledging the need for sacrifice, accountability and transparency, we have what we need to do what God is calling us to do.
- Sacrifice in providing resources for mission.
- GBEC line item.
- Core value of the church is that we do mission well – how do we help make that happen?

Margareth Crosnier de Bellaistre joined the meeting, as did Mary Frances Schjonberg and another member of the press.

After a break Barnes reviewed the most recent update of diocesan income projections. Diocesan income for 2009 is likely to be about \$1 Million less than anticipated. With reductions from Washington and New York, the \$1 million remains reasonable for 2009. The Budget approved by EC was \$31 Million, but \$30 Million is the actual being used. Management at the ECC identified \$800-\$900K in reductions for the 2009 year in response to this. Virtually every department has participated in those reductions with the exception of the General Convention Office (GCO). Barnes said that the calculations are simple ones, not weighted averages. There is no assumption that every diocese will contribute 21%. He continued that the canons say that dioceses must file an annual diocesan report and historically there is only a 70% compliance with that rule. There is no penalty for not filing the report and there is interest in seeing how that might be changed. With the anticipated changes by bishop response to a survey the average income change would be around negative 2.0% or \$31.3 Million, \$31.9 Million and \$31.6 Million projected income from 2010, 2011 and 2012. If NY has cut its contribution for 2009, it isn't going to reappear in the next triennium. The cumulative effect of reduction from the EC draft budget is \$7.7 million.

With regard to collections in 2009 against the Asking for the year, Conteh said at the end of June 42% of original diocesan commitments (reduced by \$930K) had been received.

Compared with the same month in 2008, that is a 13% drop on a month-to-month basis. Year-to-date at the end of June it represents a 2% drop. June exhibited a slightly bigger drop but looking at month-to-month gives a better picture of what the trend is. Question is whether it has taken this long for dioceses to feel the effects of what is happening on the bigger scale. Conteh explained that between March and present, there has been an additional drop of about \$600K in income.

Discussion followed about how to project income for the triennium ahead. If GC passes a budget with unrealistic income projections, EC will have to adjust the budget regularly. Perhaps the budget to be adopted should reflect the absolute worst-case scenario. Some advocated for a much more sober budget that puts EC in a position to decide how to spend more. Reductions of 5%, 4% and 3% across the board were considered. The Asking of 21% is based on two years prior to the year being pledged but the giving is from the current year's income (pledges and income). This current formula penalizes struggling parishes since the Asking is based on money that they used to have, not what they have now.

With big dioceses – those that depend on investment income don't have the real money – and the problem with rolling averages is that the number is a fantasy figure. In subsequent years, there will be aftershock that needs to be approached realistically. Restrictive stewardship might be in order and stimulate the kind of giving that is needed to make mission work.

Barnes then discussed the short-term reserve. These are funds invested short-term, developed from surpluses from previous triennia when the spending was less than income –it is income in excess of spending. In the course of the last few years, about \$6.5 Million was designated by EC for support of Jamestown and Native American ministry, the ECBF and others. There is a long disputed discussion about assets raised by UTO that some believe were assets of the DFMS and others who thought the money should be given to the Church Building Fund. Several hundred thousand dollars were sent to the reorganization and to balancing the budget in 2007. EC paid legal support to dioceses in excess of budgeted amounts by drawing on the short-term reserve. Current short-term reserve is \$7.9 Million for 2009. \$300K each has been allotted for strategic communications and a first organizing meeting of CCABs in the fall of 2009. Previously allocated was \$2.45 Million for Archives relocation strategy and fund-raising support. EC established a board-directed pension reserve for potential enhancements for lay employees of the church center. If those committed reserves are used, there is a balance of \$2.1 Million in the short-term reserves. This reminds everyone just what is available. Legal expenses have been running at about \$2 Million annually. The pension enhancement is what Kurt thinks of as a “going out of business” liability. If the church were to fold, we don't have to fund that liability but he would rather keep in memory that the dollars are committed in that direction.

What level should our short-term reserve be? It isn't a GAAP requirement but the Presbyterian Church has a 30% reserve of their annual operations. It would probably be wise to ignore the short-term reserve, which has been used to balance the budget in the past couple of years. Monies earmarked that are not expendable at this time might be up for grabs according to some. The Management Letter from PB&F to the Executive Council/Management will be a good opportunity to lend some guidance about the use.

Ann Rudig, Director of Communication at the Episcopal Church Center, joined the meeting.

The Legislation Tracking sheet was reviewed. Crosnier de Bellaistre (CdeB) will be maintaining the tracking sheet. Various difficulties with the tracking sheet were identified and it was agreed that it will be revisited and reformatted for greater clarity.

Pan summed up the discussion for the morning. It was decided that the Committee would work through lunch, receiving the report of the work of the priorities Task Force. The process for the Priorities Hearing on Tuesday was reviewed. Adams-McCaslin said that the working schedule that exists would only change when work times are added for final decision-making after all three hearings. Diane McKee and Sean McConnell will be working with presentation. Dennis Stark will be PB&F's official legislation "reader" and Richard Miller will be dispatch liaison.

Mary Glasspool discussed the Priorities Task Force's work (Pete Dawson, Mark Hollingsworth, Judith Esmay and Mary made up that group). Three conference calls examined the priorities from Executive Council, which they found insufficiently enough. Hollingsworth said they took a horizontal approach using much of what came from EC, restructuring where it felt redundant or tactic rather than strategy. They shied away from specifically named programs or agenda in order to work with the breadth of ministries and the resolutions that will attract them. It was a "both/and" approach. They had heard the importance of collaboration rather than isolation so there is a clear focus of collaborating as the body of Christ. Pete added that they had taken as realistic an approach as they could.

Discussion ensued about ranking the priorities and what might come before the Committee that doesn't fit into them. Consideration was given to calling them "core values" rather than priorities. Aims for collegiality, do justice, eliminate poverty: perhaps requests for funding need to meet the 5 listed priorities in order to be considered.

How do the priorities guide PB&F in making the difficult decisions about what is and is not possible to do in the next three years? Hopefully the priorities will help those who will testify to their resolutions, helping them to focus on where their requests fall into the priorities. It was observed that the priorities have never been the totally guiding principles, that the hard questions are battled out in Sections. The priorities are more a strategic plan, a roadmap of what the ministries of the Episcopal Church are. When using these, put Christ/Christian first. The least developed identity is Episcopal, the most messed up since 2003 is Anglican, the one making the most sense is Christian.

It was suggested that the term priorities not be used, that there should be a move away from suggesting that there is an order of importance and to look at the priorities as guideposts that will move the church forward in mission. Task force had tried to re-define the word, Priority, preferring to call them strategic values or core values. PB&F will offer an opportunity to the whole church to provide into the priorities and own the mission focus that the budget will be built around.

It was observed that the expectation abroad is that the hearings will have an impact on what the "budget priorities" are that are presented to the GC for a vote. PB&F needs to hear what testimonials will be presented to those priorities.

It was suggested that members of the Committee be open at the hearing to *the messages* they are hearing, not necessarily the topics. After the hearing on Tuesday there will be discussion on the resolution wording in order to get it to the floor on Wednesday.

Adams-McCaslin recessed the session at 1:30 for registration. Sections would meet at 4:30 and again at 6:30 PM after supper a break for supper.

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Adams-McCaslin reconvened Tuesday morning's session (**July 7**), which began with prayer at 8:02. She then reviewed the day's plan. Richard Miller, liaison from Dispatch, had arrived and was in attendance. Adams-McCaslin thanked Ralph Caparulo (present in the form of his wife) for the watercolor in the PB&F meeting room, a gift painting focused on Jesus.

In reporting out from section meetings of the prior evening, Headley-Deavours began by saying her Mission/Program section outlined their work, identified questions that arose, staff they wished to speak with, accountability issues. They met with Anne Rudig, Director of Communications, to discuss her wishes for the budget and plans for communication going forward.

O'Brien for C/C said his section focused on some of the big issues that needed to be grappled with prior to tackling the line items individually. Discussed the inclusion of a more realistic number in the budget regarding legal fees in connection with diocesan property; issues relating to the \$37 Million debt against the line of credit for which no repayment provision is made for principal in the EC draft budget; issues relating to possible savings from changing the contractual arrangements pertaining to cleaning services at the ECC; issues relating to General Board of Examining Chaplains (GBEC) and how their work might be done more efficiently and effectively; need for CCABs to operate more electronically with fewer face-to-face meetings (including PB&F, in order to lead by example); issues around staffing and travel for the PHOD. C/C will be meeting with Linda Watt and Bill O'Connell today.

There was discussion about resolution A-115. Anne Bardol, Chair of the Audit Committee, discussed some of the thinking behind the recommendations made for the audit committee going forward. She recommended that nothing be changed in the charter but that the membership recommendations are good. Now there are 6 members, 2 from A&F, 2 from PB&F, 2 at large. Recommendation is 1 A&F, 1 PB&F, 4 at large to maintain continuity and connection with GC and EC but the increased number of at large members provides greater independence of the committee.

Jon talked about the presentation of the budget document, the contacts his section has made, plans for translation, and the use of the Ubuntu logo for the cover. Looking at an interesting breakout to use as section dividers rather than tabs.

The plenary was recessed at 8:15 AM so that sections could meet until 11:00 AM.

At 11:15 plenary was reconvened and discussion focused on the resolutions having to do with the structure of the Audit Committee, terms, makeup of the committee and recommendations about smooth transitions between committees and continuity in audit oversight.

D-023 was then considered, which proposes amending the provision that GC passed in 2006 that any resolutions with budget implications passed after the budget was approved would have no standing with the EC. The change proposed provides that any change for C/C expenses will be referred to EC and *must* be accommodated within the Budget. Effectively, this takes the provision and ties the hands of EC if resolutions are passed that effect the C/C side of the budget. Smith spoke to the Rules of Order and canons that distinguish between the C/C and mission sections of the budget that give priority to the C/C section should there be a need to reduce the budget. There is a question about the language in the canons favoring the C/C portion of the budget.

O'Brien spoke about his conversation with Rebecca Snow, author of the resolution. It says if there is a resolution adopted after the budget is passed that affects C/C in any way, EC must make accommodation for it. The explanation seems to be more narrowly drawn, as she seems to be talking about changes in the canons themselves. O'Brien's feeling is that the explanation simplifies the intent of the resolution. As drafted, affecting the C/C budget doesn't fit in with modifying the canons, which is what the explanation talks about. If PB&F wants to address this, the committee that it has been assigned to deal with the resolution must be found and an amendment proposed or a substitute resolution. O'Brien concluded that the drafting of the resolution had been less than fully precise.

Keucher suggested that the old resolution as passed should stand.

Barnes observed that the language seems contrary to the church working together as it pits the program area against the C/C area. Routinely when there are questions at EC in A&F, people point to the canon that says that, should there be a reduction in income, priority be given to C/C and that is always troublesome. Additional language, "subject to maintaining a balanced budget" is often ignored. The word 'priority' is interpreted to mean that C/C gets automatic/guaranteed funding and program/mission suffers. Then there is the conversation that C/C is also program. It would be nice to have a resolution that clarifies what "priority" actually means.

O'Brien continued, looking at the Blue Book resolution A126 from Structure, that there is also a real attempt to circumscribe the authority of PB&F. The explanation makes a statement that anything adopted by GC involving a CCAB or other canonical entity must be fully funded so that the organization can do it's work "adequately" and has "all necessary funding." Seeking definition bore no real fruit. The Committee discussed the language in the resolution.

At 11:35 Adams-McCaslin called a break for lunch. She announced that an additional session tomorrow July 8) for the Funding Section would take place from 3-4 PM in C/C breakout room.

An additional comment from C/C was offered that there should be a priority around stewardship that speaks of our need to protect our investments, properties, dioceses and congregations. The Budget will reflect that we think it is important but the language isn't in the list of priorities. In addition, human resources need to be included within the context of the broad topic of resources.

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The PB&F Hearing on Priorities was held at 12:30 PM in the Committee meeting room.

A plenary session was reconvened at 7:12 PM with prayer to discuss the priorities and craft the resolution to present to the GC.

Reflections on what was heard:

- Faith has come alive, people have moved into mission thinking.
- Heard quite a lot about the MDGs and the wonderful effect they have had. Somewhere in the priorities – probably the explanation section – it would be an example of the effect MDGs have had on people in mission.
- Presentation might use the far-reaching effects of the MDGs as an example – secondary and tertiary gains made by various aspects of mission in all areas of the church. Besides MDGs – reaching out, evangelism to underserved, welcoming multicultural populations; lifelong Christian Formation with Youth included.
- Stewardship; justice and peace making (domestic poverty).
- Struck by the youth who intentionally got up there and asked why they weren't important.
- Struck by the indigenous peoples who advocated for their ministries - underserved populations, lifelong Christian formation.
- MDGs diversity, multicultural awareness. People came not so much to talk about the priorities but to the budget; there was less comment about the prioritizing in order.
- A few thought that Christian formation should be at the top of the list.
- Most everything people were talking about, even specifically to legislation, pertained to priorities and everything fit into the outline that the priorities task force did. Everything fit into the areas that were identified in ways that were very supportive.
- Young people don't see youth as included in *all ages*.
- What *was not* heard was about infrastructure (people don't like to talk about bricks and mortar), partnerships in the Anglican Communion and international partnerships.
- MDGs. Heard that people are formed and not just educated, which involves many layers (youth, multiculturalism, education, alleviation of poverty).
- Heard a lot about international connections implied through the MDGs, but not about the Anglican Communion.

Noted: D038 is missing from the tracking sheet.

Focus turned to the Task Force's priorities document and discussion about how best to craft the resolution. Opinions were expressed about clarifying the inclusion of Youth. Adams-McCaslin asked the Task Force to meet and craft a resolution that could be voted on first thing in the morning. There was additional conversation about rank ordering and specificity, which led to the conclusion that the legislative process will prove or not on the floor of the House of Deputies. If the work is good it will resonate with the House. It was also noted that stewardship of property would be an area PB&F will need to address, if only with an add-on or implied topic that shows that we are claiming responsibility for the expenses of litigation.

With regard to not ranking the priorities in order of importance, suggestions were made that the explanation of the resolution should say clearly that there is no rank order and that it would be helpful to include a couple of lines expressing the philosophy behind not ranking.

Hollingsworth explained that one of the things the task force tried to do was to move away from a list of specific items to deal with the question, “how are we going to be the church?” He asked whether the Committee is asking for a response to the hearing by putting them in. Further discussion yielded consensus about not rank-ordering the priorities. Many suggestions were aired from the group and the task force was excused to work on the resolution.

D023 was then examined more closely, which singles out the C/C section as having more budgetary importance/precedence than mission/program. The question is twofold: does PB&F want to speak to that resolution, which would bring the rules of order to reflect Canon I.4(6) or go further and propose amending the canon to remove the sense that C/C has budgetary priority? Discussion revealed a number of things:

- The canon is not clear regarding “necessary” and expenses and “adequate” funding.
- A125 attempts to clarify that C/C takes precedence over anything else.
- D023 and A126 are related so they must be approached simultaneous.
- There is a need to identify ways to save costs.
- If we want to be a church known for mission, we need to find ways of doing things differently.

Agreement was reached that a resolution should be proposed that changes the language in the canon dealing with a budget shortfall and the C/C portion having precedence; everything needs to be funded (if possible) and nothing should be privileged. Keucher agreed to craft a proposed resolution to be presented to the committee the next day. All concurred that sure in the teaching process about the budget it is important that everyone understand what the canons have to say, especially about keeping the triennial budget in balance.

Section reports were given. C/C has now reviewed half of the detailed budget and hopes to finish that work tomorrow in order to be in a position to make recommendations to the whole committee on big ticket items after 7 more working hours (5 Wednesday and 2 Thursday morning). Clay Matthews, GBEC, Lori Ionntiu, GC publications will be meeting with the Section tomorrow. They are looking at ways of modeling *not* business as usual. Title IV costs (cases that will carry onto the next triennium) have been projected by Sally Johnson, David Beers and the PB. O’Brien said that there is no reason at this point to expect major changes compared with this triennium. Question arose whether or not, if the Title IV resolutions pass, there will be funding in the budget to educate accordingly. The answer, no. Title IV training and education request is \$20K.

Boss reported on contact made with Rosalie Wells and other resource persons involved in production. He and his Section members sat in on other sections to understand what they are grappling with in order to be able to craft the necessary language for the budget document.

Headley-Deavors’ Section did a line-by-line review of communication and advocacy center line items. They are now clear about the budget crosswalk after having received help from Conteh. Staff from the Partnership Center, Evangelism & Congregational Life and Advocacy centers were interviewed.

After a short break the task force distributed a recommended resolution for priorities. **Glasspool moved the resolution** (attached). **Seconded.** Discussion covered the rearrangement and additions to the verbiage, framing the explanation in history and clarifying the changes needed after the hearings. More conversation dealt with rank ordering and finally concluded that deputies/bishops should be trusted to be adult about non-ranking. **Amendment was moved and seconded:** drop the numbers and remove the reference to the networks. Discussion on the amendment yielded a vote in favor. **Amendment was moved:** change the word Priorities to Budget Objectives. **Seconded.** Discussion on this amendment resulted in **failure** to carry the motion and agreement that the Management Letter could include recommendation for changing the term from “priority” to something else during the next triennium. **Vote on the resolution as amended carried without opposition** and with thanks to the task force for its efficient work.

Chaplain Keucher closed this session with prayer at 9:07 PM.

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On **July 8** an evening session of the committee of the whole was called to order at 7:08 PM; the Chaplain offered a prayer. New people joining the meeting were welcomed, Jennifer Collins, interpreter, and Lloyd Allen, committee member from Honduras.

The Funding Section had met from 3:00 to 4:00 in the afternoon and Sections had gathered to continue their work in the morning between 11:00 and 12:30.

Bishop Allen discussed the current unrest in his country.

Adams-McCaslin noted that D052 (Priorities for the Mission/Budget) passed the HOD without complaint; Barnes had been elected Treasurer of the Convention; Perez had met with the Archbishop of Canterbury in a special forum. Items that passed the HOD and the HOB (e.g. the Mission Funding Initiative) were discussed and a list begun of the legislation passed that will impact the budget.

A recycling box will be provided so that papers can be discarded as PB&F moves through its work. It was suggested that PB&F, on behalf of the wider church, remind both bishops and deputies that there will not be sufficient funds to do everything. It was agreed that PB&F should share in some way with both houses the funding assumptions so that everyone knows how bad the picture really is.

It was **moved, seconded and carried** to move into Executive Session.

Adams-McCaslin wrapped up the day at 9:15 PM, reminding the group that Sections would be meeting at 7:00 in the morning for the first of three sessions. The Hearing on Spending will take place at the Hilton tomorrow evening at 7:30; all were asked to arrive by 7:00 PM. She ended by saying that this body (PB&F) is willing to be creative and take some risks to honor the resources that are everywhere and can be used in a loving way.

Keucher closed the session with prayer.

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Adams-McCaslin brought a session to order at 2:05 PM as a committee of the whole on **July 9**. Welcome was extended to Bishop James Waggoner, who had just arrived.

Section Reports were given. O'Brien anticipated being able to come to the Committee of the Whole with his Section recommendations in the morning, as they planned to complete their review this afternoon.

Mission has finished and has begun making recommendations for reductions and adding in the 0.7% for MDGs. They spoke at some length with the Mission Funding staff.

Boss said presentation was making good progress; they have parceled out various elements of the document itself among various people. He is sharing pieces that do not need a vote by posting them to Basecamp. Boss asked that everyone check those pages so they can be sent to Rosalie Wells for translation.

Smith made a proposal to the Committee that was inspired by the discussion in the Mission/Program section this morning after they met with the MFI/Development Office staff. The ways we can be creative at GC are very limited – resolutions, hearings and hallway conversations. There is no other way to think about the bigger picture of GC and how we relate to each other. This came clear as MFI was discussed and its place in the Church – it seems to have no relationship to anyone/thing in the Church. Who will decide how the funds are spent once they are raised? PB&F might initiate a conversation involving PB&F, MFI and some members of the Committee on the Structure of the Church to look at how the mission and the funding of MFI are related.

O'Brien served on a task force on MFI, chaired by Del Glover. One of the things coming from establishing the office was the understanding (of MFO) that the oversight belongs with the PB. The task force felt it would be impossible for the PB to oversee MFI effectively with all the other responsibilities she has.

Scarfe felt it was a good conversation. Structure is grappling with the same stuff PB&F was discussing last night but from their perspective. Recommends that a subgroup be set up to meet with the MFI people.

Adams-McCaslin asked for volunteers to serve on such a sub-committee; Dan, Keith and Judith will serve in that capacity.

At 2:20 PM Adams-McCaslin excused the whole so that sections could meet. The Spending Hearing is to take place this evening in California Ballroom A at the Hilton Hotel at 7:30. Committee members were asked to dress appropriately and arrive at 7:00 in order to prepare.

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On the morning of **July 10** Adams-McCaslin brought the session to order at 7:02 and Keucher offered a prayer.

Reflections were aired of the prior evening's Spending Hearing. Scarfe wished the dynamic of the Hearing was present in the rest of the budget deliberations. He observed great eloquence in our midst and hoped the openness of the prior night would carry forward to the task ahead.

Bickford agreed that people were speaking from their hearts and, listening to their pleas, was reminded that as a Church we are made of mission and structure. That is who we are. Both pieces work together to bring all of us together. Biggest struggle was listening and knowing that we would not be able to support all of their requests.

Judge observed that the reality is so clear and asked what we can do to spread out to the whole world what we want to do.

Esmay felt the depth of testimony was extraordinary and knows resources will be spread thinly.

Land acknowledged that Pan and Drew set the tone and a path to success for the event and that the process, the microcosm, could be a model for the listening process. Center Aisle this morning suggested that this might be the "listening convention."

Klusmeyer was struck by the passion and pleas against the realities we know. At least some of those things are what the MFI is all about and he sees a future for MFI if we can identify, promote, educate and inform in a way that would get people excited about a capital campaign that can't fit into the Budget at this time.

Boss had mixed emotions; joy about the commitment and sorrow that we can't fund it. The other was anger in that only three people responded (last evening) to the question of doing with less. There seemed to be a lack of comprehension that resources are so scarce at this time.

Smith observed that, as people came forward, they had worked on their presentations to give the greatest information in 2 minutes. Asking them to fit in the questions may have not been fair.

Land asked about the origin of the shift from 0.7% to 1.0% in the MDG line.

The meeting with Structure, the Mission Funding Initiative and PB&F will be at lunchtime on Monday, July 13. (Linda Watt, Chuck Robertson have been invited.) It will be an off the record, systemic discussion about how it all fits together and how the MFI can be made better.

The Sections, having completed their line item reviews, were ready to begin moving forward with the recommendations.

O'Brien reported for C/C. One of the concepts that drove his group was transparency, disclosing to GC and including in the budget two large items: legal fees in aid to dioceses (litigation support - in this triennium the sum will be \$5 Million and the next triennium is likely to see the same) and stewardship – is it responsible to make no principal payment on the \$37 Million debt? C/C suggests an increase the principal and interest payment of \$700K each year in the triennium. They identified some savings as a result of conversations with Linda Watt and Bill O'Connell. Over the triennium it will be possible to save \$1.25 Million by going to a fair wage from a union structure for building maintenance. The Section looked at CCABs (how many meetings, how many were electronic, how many projected for next triennium) and limited each CCAB to 3 face-

to-face meetings in the next triennium, reducing the budget of every CCAB with one or two exceptions. The General Board of Examining Chaplains (GBEC) board will still get \$81K but C/C was not convinced about the need for the readers to read the examinations in the same physical space, so, they recommend reducing the readers' line by \$130K. PB&F's budget was initially reduced by \$30K, eliminating the 2011 meeting but added back \$10K to provide travel dollars for the Chair to attend Executive Council meetings. So the line item is now \$71K.

The EC line was reduced by recommending that EC's tradition of meeting in all 9 provinces in one triennium be changed so that all 9 provinces will be covered over 3 triennia, with 6 of 9 meetings being held in a single location to reduce travel costs. Net/net this is a \$75K reduction at this point.

When the 9% reduction was applied across the board, it reduced GC costs for 2012 to a level below where commitments have already been made. C/C restored \$250K to the reduction for GC site and facilities for 2012. At the same time, they are recommending that print publication of the Blue Book become a thing of the past, saving \$200K. The net/net gain would be \$100K after dealing with the costs for MIS to do the electronic work that is recommended.

The President of the House of Deputies (PHOD) submitted a request that her funding for staffing be increased above the \$390K provided in the Draft Budget in order to have two full-time staff persons for each year, rather than one person for two years and two staff persons for one year. C/C decided to leave that number alone and not micromanage the PHOD's staffing needs. The travel allowance for the PHOD had somehow disappeared when the Draft Budget was prepared so \$78K in travel allowance has been restored (she will have spent \$90K in this triennium). Another issue raised was that of supplemental health insurance for the PHOD. She is covered in part and has a Medicare premium that is reimbursed at \$5K annually. Management letter will ask that the appropriate persons undertake the task of defining what the perquisites and benefits are of the office of the PHOD. The role of the PHOD should be clearer; currently it is largely defined by the person in the position. Recommendation: the \$5K be paid, yielding a \$83K increase in budget.

The PB&F Chair is a guest of A&F at Executive Council having voice but no vote. Two triennia ago the Chair began attending meetings, providing continuity between the committees. Adams-McCaslin recommends that PB&F cover the travel costs for the PB&F Chair's attending EC meetings.

McAlpen felt less anxious knowing the direction that O'Brien described. She asked that the Management Letter recommend a look at the GBEC board (22 members) construct be examined with an eye toward submitting a resolution recommending a board sized to reflect the contemporary realities of our day.

Mission/Program Section Report

Headley-Deavours said the Section had identified reductions between 11% and 13% done program by program and achieved about a \$10 Million reduction. Considerable conversation covered what further cutting would look like. They discussed the Detail Budget for 2010, suggesting that an evaluation process would inform the Budget for 2011 and 2012; the money would reside in the Budget but not be appropriated. They discussed how staff might work together in partnerships to better do the work. The Section looked at MFI and questioned the

decision-making process for using the money, concluding that there needs to be a structure. They tried hard not to cut staff and talked about combining some job responsibilities. Observation was made that GC may be a questionable way to do business in this century.

Hollingsworth recounted that PB&F has not yet formulated the revenue line; the MDG line is reduced to \$870,000, diocesan income is reduced, income from communications is reduced and the HOB passed the resolution for 1% devoted to MDGs.

Boss pointed out that staff going to EC meetings isn't necessarily a good use of funds. Most organizations send a representative or spokesperson to meetings.

Additional discussion ensued about the MDG line item and the Mission Funding Office (MFO). Concerns were conveyed about MFO's ability to raise the kind of millions they're talking about in 6 years (6-8 years to raise \$250 Million). Their system sounds to some like they are operating a parallel church. They would raise the funds for 5 areas that they determined without particular research, although they were approved by EC. Discussion proceeded at length.

Cuts by C/C have been recommended in the CCAB line items by about 25% by recommending electronic meetings. It was observed that the money being spent on legal matters is wiping out the ability to do mission. Adams-McCaslin pointed out that litigation expense in the millions has been spent to preserve Church property worth hundreds of millions. The bottom line total that C/C identified was \$2.1 million in reductions and an increase of \$7.3 for a net increase of \$5.1 million.

Discussion returned to matters involving the MFO and describing the development of the PHOD's office as "mission creep." Discretionary measures that were taken for George Werner have become policy. PB&F doesn't create policy, it funds them but when money is allocated. One of the bishops cautioned that PB&F needs to be careful not to build a parallel and competitive hierarchy in the Church.

Perez, noting that PB&F is years behind in making resolutions to amend the Canons (*e.g.* 22 person board-member), suggested that right after this GC, PB&F or a subcommittee get together to propose changes to the Canons that pertain to the Budget

Judge added that her Section was very concerned about the PHOD issue and recommended these concerns be included in the Management Letter.

Scarfe said that the resolution regarding the MFO made it through the HOB without a hitch and asked for some guidance about future discussion since it will be brought up again in the HOB. Smith and Adams-McCaslin said that PB&F members have (personal) information that they should share but not Committee information.

Land asked the Section's opinion of MFI initiative. Are we going to spend \$4.5 million to make \$850K? It was explained that \$850K is actual income anticipated, not the amount of receipts projected, which is \$30 Million.

Whitmore wanted to clear the air regarding mis-information around MFI and holding up the importance of checking out everything that is said. He believes the move of MFI from the C/C

Section of the Budget into the Mission Section is unwise. When asked to do so, he provided further information about one gift that has potential for becoming a lead gift to fund innovative models for ministry that are outside the mainstream of what has been done historically. The first gift will fund a pilot project involving 10 congregations, which, if successful, will be followed by a substantial gift to underwrite developing innovative models for the whole Church. This is money that the donor would never give to the Congregational unit at the ECC because that isn't their job; their job is to support work that is already being done. We need to develop gifts from people who wish to see the Church in a position of growth and vitality. There is a significant difference between fund-raising and philanthropy, the latter being a different world that requires an entirely different method. We are being judged by a fund-raising model and Whitmore expressed his sadness about personal attacks that have been made. He agreed that accountability is a critical issue.

Smith said that in conversations he has heard, it is good money spent for better money that will benefit the Church's mission in the future.

Keucher was uncomfortable with Whitmore's point that the gift "would never be given" to the Center for Evangelism and Congregational Life since it is part of the GC budget. If some other group must be created to receive and manage the incoming money, that would be a structure that is not clear with regard to accountability.

Whitmore agreed and said structures are needed. Now things are filtered through the Executive Council causing a disconnect from the GC. Lines of connection are needed other than the EC. Technically, the PB has direct oversight but doesn't have time to do management. In the genesis of the work, MFO was told to design the structure and they don't want to do that either.

Perez said that PB&F needs to clarify to the whole Church that foundation is to be created with MFI, not a revenue stream to the Budget. It is not the development office for the Budget for the Episcopal Church that needs accountability, structure and parameters.

Land had trouble supporting the expenses of a development office to the tune of \$4.5 million and the only benefit the Budget derives from it is the income from principal that is expected to be raised. Further, in the next triennium, MFO is going to have to raise \$220 million.

Councill observed that in the HOB there was confusion, doubt, hesitation and mis-information about MFI. He advocated for a greater degree of confidence before measures are taken to support the work.

Klismeyer recalled that MFI came out of a resolution from the last GC. For many of us, it was sort of like the resolution we passed the other day about funding it – it passed without comment and most of us had forgotten that it was there. In the past three years until March, no one heard anything about it and now we are asked to fund the work.

Bickford repeated that philanthropy is different. As Susan McCone described the process, it is a long-term process rather than a capital campaign. It takes years to develop relationships before a "hard ask" is made.

The session was recessed with prayer at 8:57 AM. All committee members were asked to be at the Hilton at 7 PM for instruction about small group format for the Funding Hearing tonight.

A luncheon Monday in 207D will be arranged for the mixed group of PB&F, Structure and MFO staff.

* * *

Adams-McCaslin brought the session to order at 7:02 AM on **July 11**; Keucher offered a prayer. The day's schedule was reviewed, additional meeting times established and debrief of last night's hearing conducted.

The witnesses, it was agreed, informed and energized PB&F's work. What was heard:

- A plea for better relationships across the Church – people will give when they are in relationship.
- Possibly reduce the percentage of the Asking - there might be a response from dioceses that might want to step up to a lower percentage.
- Lack of trust – the need for transparency.
- Need to do something about enforcing dioceses to meet the Asking.
- Gratified to hear expressions/desire of funding accountability – clear message about the need for accountability and giving time and attention to it – let's figure out the structural piece for accountability.
- Transparency in the context of people in the pews not understanding where the money goes.
- Education, education, education – how do you get people to make the leap from what they drop in the plate to the bigger Church Budget?
- Underlying theme of the need for communicating about both sides.
- A lot of energy around not doing things the way they have always been done – money spent on the GC is money that could be spent on mission.
- Many young people attended last night.
- Stewardship and stewardship education beginning at the parish level – there was a wonderful feeling in the room of listening.
- Encouraged by the number of people who indicated their 21% diocesan giving.
- There were people who came with possible solutions and an interest in participating – the concept of zero based budget.
- Desire on the part of dioceses to be as compliant as possible – concern about the absence at the ECC level of an assessment board that dioceses could go to when there are difficulties and a method that would allow for compliance at a reduced level.
- Request to remove the shame factor – separating the sheep from the goats would be a useful thing.
- Relationships are what matter and holding one another in a firm but loving relationship is important – do not use the sheep/goats language.
- Haven't sent a team out for a very long time to visit bishops and state the case for funding the Budget – there is no accountability, no discomfort at not meeting the full Asking.
- This may be the time we need to look at the Asking – go way back and look at what dioceses are in compliance and who are no longer in compliance since the Budget was unified.

- Last night was an opportunity for flexibility and for developing relationships – the change in tone means that we are able to move forward.
- We started a new way of doing business –we modeled something different.
- People were thankful for being asked – the opportunity to be asked meant a great deal.
- The small group format encourages participation.
- People went away from the meeting thinking PB&F was fun – heard marching orders to bring us into relationship, shake up and make changes to streamline the organization.
- We heard as much about mission as we did about funding – there is a sense that lacking a new approach we will raise the money the same old way.

The Mission Section raised the issue of accountability and Hollingsworth spoke to the Section's curiosity about how to use the Budget as a leverage point to achieve change. A possibility was suggested: we do a triennial Budget but present only line items for 2010. For 2011 and 2012, we will present totals so that the GC can see that we anticipate the money will be there but we are not allocation the dollars at this point. We are asking for, insisting, that between now and the end of 2010 that we do an evaluation of all of the areas connected to strategic thinking. Having done that in detail, we would be able to collaborate with EC to fill in the line items with the funds that were put in the general areas.

This answers the call for accountability but PB&F has to tackle the issue of structure – how will we do this? That hinges on understanding PB&F's responsibilities as outlined in the Joint Rules. It is a big piece of work but one of the difficulties in the system is that we do the work during the triennial meeting of the GC, then it's dropped and we come back three years later without an evaluation and never face that which we are hearing all around the table, the question of what are we NOT going to do now? How can we leverage the Budget process now to effect the changes that we are most consistently asked to respond to as PB&F?

At the same time, we must take responsibility for accountability around funding and work the two together. We talked about the Joint Rules of Order giving PB&F a role during the triennium. PB&F will present a Detailed Budget with line items for year one. GC will be asked to accept blocks of funding for subsequent.

Linda Watt said that there is an exciting piece of the proposal. PB&F is in a position to help GC by giving them blocks of spending that they can understand.

The Canons assume we are going to do it as Mark described the process (Canon I.4.6 (c)) - a Detailed Budget with an estimated Budget for succeeding years.

Consensus was reached to proceed with Mission/Program's suggestion, supported by the Canons.

In all the hearings PB&F has held, no one petitioned to protect funding for GC. People have asked that we take away what we spend on ourselves and put it toward mission. Smith suggested a broad-brush conversation for the morning and getting into greater detail in the afternoon.

Watt was asked to share her thoughts about the work she and Barnes did yesterday afternoon. She had met with the PB to talk about areas she would like to enhance or change our devotion to.

The PB asked Watt to propose that PB&F focus as much as possible on the areas that lead to the long-term vitality of the Church (congregational development and church planting) and social justice issues (advocacy); find areas in which there could be staff adjustments made, moves toward job combinations, seasonal employees, consultancies, etc. One experimental program could be put on the back burner. Watt and Barnes looked at the program areas and recognized that significant cuts cannot be taken without looking at the Corporate part of the Budget to see where overhead expenses could be reduced. Watt outlined various changes that help the bottom line. Among these are: a proposed change to health insurance for staff that will save about \$670K over the triennium; a \$108K item in SRI that can be eliminated if CPG will take on the research that DFMS is doing now concerning investments; and staff consolidations/reductions.

Smith observed that Watt's suggestion is that management will make the detailed decisions and PB&F should give them the support they need. 2010 will be a special year. He speculated about what would happen if there are no CCAB meetings in 2010 that involve travel. What happens if the travel line is cut in half as a way of recognizing the importance of the year?

Adams focused on the fact that the canonical requirements around CCABs must be met.

The nature and management of Covenants was discussed, questions aired, plans for covenant decreases shared. Adams recollected that the Management Letter in the past two triennia included a request to EC to examine the covenants and work with the covenant committees to get greater accountability. That has actually happened and overall accountability has increased.

O'Brien said the CCABs might experience a moratorium, be told that they will fulfill their duties in 2011 and 2012 but in 2010 they will do business differently. The first CCAB meeting is in November 2009 at which time the members of the CCABs might be provided a tutorial about how to do their work electronically. A new line item in the Budget could provide for planning and evaluation.

Canon I.1.14(e) regarding date and length of GC is clear that the Joint Standing Committee on Planning and Arrangements has the responsibility of setting the date and length of the subsequent GC. It was agreed that preliminary plans and contracts should be investigated and recommendations made to the PB and EC.

There needs to be a different and more effective way to communicate how the money is being spent. It was reported that the HOB cut the CCAB line by 50%. [Not sure about this one, even if it was only a "rumor."] There followed a full discussion about the pros and cons of having a "lock down" year and the responsibilities of the HOD.

Scarfe suggested that PB&F might in some cases offer seed money to partially fund some things with the understanding that if there is sufficient need, there will be funding from elsewhere.

Floberg observed that more than a third of deputies are new and there is a disconnect between the concept of a Resolution and the reality of funding it. Deputies vote for the concept of the Resolution without thinking about where the funding comes from to carry it out.

O'Brien observed a high level of trust for the work PB&F is doing. The Houses believe that PB&F will do the right thing and they trust the outcome. One of the elements leading to non-consideration of the funding by the deputies is the confidence that PB&F will figure it out.

A suggestion was made to call 2010 the Year of the Lockdown and that PB&F might write a Resolution that eliminates face-to-face meetings in 2010. Further suggestions point out the importance of couching such a move in positive rather than negative terms – say what is possible rather than what is not possible.

Waggoner commended the organization of the Open Hearing last evening. Much candid conversation occurred around the table. PB&F modeled the future and people who were paying attention know that there is a lot more listening going on. There is a major disconnect between the people of the Church, the vision of our identity and their ownership of that. He hopes that the model used last night will be used going forward as a way to make connections with the people of the Church. Witnesses last night were not angry; they were hopeful but just simply feeling disconnected.

At 8:40 AM the plenary was recessed so that Sections could meet.

* * *

Holly McAlpen reconvened a plenary session at 1:08 PM. Not in attendance: McCaslin, Smith, Echeverry, Allen and Klusmeyer.

Two recommendations were offered that will impact funding for the next three years only:

- Increase the standard deduction from \$100K to \$125K – a decrease in the Budget of \$1.5 Million in the triennium (this will help smaller dioceses)
- Reduce the Asking from 21% to 20% - a decrease of \$2.5 million over the triennium (this will provide relief for the larger dioceses)

These options were discussed at length.

A recommendation was made to have a special group, having all three orders represented (EC and PB&F members), to serve as an Askings Appeals Board with a process defined to allow dioceses in financial difficulty to appeal their Asking and, after meeting the required guidelines, have their Asking reduced in a systematic way, affording them an opportunity to feel a sense of compliance. This recommendation was an outgrowth of the conversations in the hearing last night. This would be an official body that could offer support, resources and advice to dioceses.

The ensuing conversation covered a thorough examination of the numbers, the impact resulting from increasing the standard deduction and decreasing the Asking to 20%. Approximately \$140 Million or less of Revenue would be available over the triennium.

Additional observations were made, including:

- This is a good direction to go. A move like this encourages people to want to move back up. The catchword in small groups last night was intentionality.

- Making assessment relief possible would require criteria being established, probably by the group or board that will follow through.
- This work seems positive and pastoral.
- Question of how the group will be formed and who will have oversight: PB&F, EC members appointed by the Presiding Officers.
- This committee, comprised of all orders in the Church, could have very meaningful conversations with dioceses that are significantly below the line. This work would be very focused on developing relationship.
- Concern was expressed that the Church needs to adequately recognize the dioceses which are, often sacrificially, giving at the 21% Asking.
- PB&F's written material will note the dioceses that give sacrificially to the mission and ministry of the Church.
- There seem to be dioceses in the Church that are the great recipients of the Church's attention and largesse. One consideration for a grant being given might be that a diocese is fully participatory in the Asking of the Budget.

There was additional discussion about the revenue decline. The question arose as to whether the income projection reflects the reality ahead. Barnes believed, after hearing the responses to his income survey from the 24 bishops, that the income assumptions are reliable. All agreed that PB&F would prefer to err on the conservative side, so we are proceeding accordingly.

It was moved and seconded that the standard deduction, currently \$100,000, will be increased to \$125,000 and the Asking reduced to 20% for the coming triennium only. Seconded. Vote carried with one negative vote.

Barnes discussed the "dividend" or payout rate that is made from trust fund income. The Investment Committee requested that Evaluation Associates, the DFMS investment advisors, perform a formal analysis of future investment income. They calculated that there is between 5% and 8% chance that our invested funds would not be able to achieve an 8% return. In calculations, 5% return was used, which just covers the dividend being paid for 2009. As of the end June, we have seen a 7% return in 2009. The EC draft budget assumes a 5.5% draw, a level that was used in 2004-06, continued it in 2007, but reduced to 5% in 2008 and 2009.

Barnes' recommendation was to stay at 5.5%, considering the other anticipated income hits. He is relatively comfortable with the flat assumption and its impact on 2010. It is hard to predict three months in advance and two years in advance is even more difficult. In October, when the EC reviews any necessary revisions for 2010, there will be more information. The DFMS hires Evaluation Associates to guide us and their recommendation is that 8% is reasonable for planning purposes beyond 2010.

Keucher conveyed that the Rules of Order say that PB&F makes the budget modifications during the triennium. If those rules are followed it will be a sea change since the EC has been adopting Annual Budgets, even though they do not have the explicit authority to do so.

It was moved that PB&F accept for purposes of preparing the Proposed Budget that the assumption for investment income will be \$1.3 million less for the triennium than exists in

the EC's Draft Budget. Seconded. Clarifying questions were answered and the motion carried without opposition.

McAlpen turned attention to the special committee/group/board that had been suggested. Part of its function would be, through conversation, to assist dioceses that are not paying their full Asking and to engage dioceses that have purposefully not met the Asking. The composition would be members of EC and PB&F with appointments made by the PB and PHOD, including all orders of ministry.

It was suggested that this be a committee of EC but with members at large that would achieve a life of its own eventually. A temporary but helpful name that describes their work is needed.

Councill served on the Budgetary Funding Task Force and thought they were going to propose that they do this work.

Clarifying question was asked regarding whether this committee would be a review board that a diocese might appeal to for relief from the Asking. It was felt that it would not be so much a function of this group to grant relief but to establish greater relationship that might inspire wider compliance.

Scarfe reported that the Budgetary Funding Task Force is requesting funding for strategic planning. It might help to consider some of those committee members to serve on this group.

It was agreed that the Budget should make a compelling statement about our identity as a Church, should articulate the vision of the Church's mission and create accountability of Church structures so that mission and people in the pews are linked.

In recapping, PB&F wants to find ways to support and encourage a subcommittee from the Budgetary Funding Task Force to form an Askings Review Committee (or some other name). EC does not have to create such a committee on PB&F's recommendation and if EC does not like the idea, EC will not create it. If PB&F wants to be able to have some input into the shape we are talking about, this needs to be a subcommittee of the Budgetary Funding Task Force and not a committee of EC. However, it is believed that the BFTF is out of business unless this Convention decides it should continue.

McAlpen and Adams-McCaslin will work on this and come back with recommendations.

The session was concluded with prayer at 2:08 PM to accommodate the need for sections to meet. PB&F would meet at 7:00 AM Sunday morning.

* * *

Adams-McCaslin called the session to order at 7:00 AM. Whitmore offered a prayer. The day's schedule was reviewed.

Klusmeyer, having missed the diocesan Asking discussion yesterday, said that he and a few others in the Committee believe that there is a psychological barrier at the 20% Asking level and if PB&F could show good faith by setting the diocesan Asking at 20%-20%-19.5% or 20.5%-

20%-19% across the triennium, it would show the entire Church that PB&F has heard what they had to say and PB&F shares in everything the dioceses and parishes are going through. Keucher pointed out that there would be no financial impact in the triennium's total income resulting from this proposal.

Discussion covered:

- Suggestion that 20%-20%-19% be considered and much agreement that there should be whole numbers.
- Questions about making any further changes to the standard deduction.
- Affirmation that small dioceses get relief from the higher deductible and the bigger contributors from lowering the percentage of the Asking and that both should be done.

Klusmeyer MOVED that the diocesan Asking to fund the Budget for the Episcopal Church be established as 21% in 2010, 20% in 2011 and 19% in 2012. Seconded.

When asked whether he also recommends that this formula extend beyond 3 years, Klusmeyer responded that it wouldn't be a bad thing to continue the trajectory, provided there are increases in other revenue streams. It was observed that with moving to 19% in 2012 and, perhaps, staying at that level or moving down further will continue to convey the message that "business as usual" has changed dramatically.

The vote: Motion carried without opposition or abstentions.

At 7:15, the session broke into Sections so that Resolutions with funding implications could be reviewed and the Budget set during the afternoon session.

Adams-McCaslin called the plenary to order at 12:33 PM. Echeverry was excused, as she was not feeling well. Keucher offered a prayer. Perez, Smith, Allen and Waggoner had also been excused.

Recommendations from the Sections regarding line item adjustments were made.

O'Brien began with the ones from C/C:

- Add \$4 million in legal fees, separable from Title IV of \$1.5 million (already in the Draft Budget).
- Add \$2.1 million of principal payment on \$37 Million debt incurred in connection with the renovation of the ECC. There is no provision in the Budget for depreciation, no provision for repair and replacement (recommend that as a best practice this figure would be \$2 million per annum)
- Add back into GC site and facilities approximately \$270K (totaling \$2.9 million) to reflect actual expenses that are likely to occur
Total additions - \$6.4 million
- Reduce \$1,250,000 cleaning of the ECC building, changing to a fair wage contract from union
- Reduce GCO, Finance and Administration personnel expenses totaling (according to Watt, Barnes and Straub) well in excess of \$1 million
- CCAB aggregate reduction of about \$500K – or 30% of the CCAB draft budget, much of it in 2010 (not a year of face-to-face meetings, reducing travel costs)

Total reductions - \$5.1 Million

Net – increase C/C by \$1.3 Million – caused largely by the \$4 million on legal fees (a lower number than we are spending this triennium, which will come in at about \$5 million when all is said and done.)

MISSION

- Reductions totaled \$12.9 million
 - o Return line item to MDGs - \$1,146,283 (1% rather than 0.7%)
 - o Reduce 7.5 staff positions (either in the pipeline or already occurred by retirement or resignations)
 - o Did not add back in dollars from Resolutions although a majority of the Resolutions are already in the Budget
 - o Mission Funding – reduce to \$3,031,528 (\$1.5 Million for the triennium) - \$525K represents the Archives assistant and the remaining funding for development office
 - o Mission Direction - \$210,055 reduction of 15%
 - o Advocacy Center -\$770,418 reduction, about 10.25%
 - o Mission Leadership - \$1,049,799 reduction, about 8%
 - o Evangelism and Congregational Life - \$1,459,630, about 12% in non-government expenses
 - o Partnerships - \$3,036,313 an 11% reduction
 - o Communications – Anne Rudig presented a completely re-worked budget that was \$3 Million in excess of the Draft Budget. She plans to generate \$3+ million less revenue (Episcopal Life) and reduced the expense side by \$3,356,229, but this is not a net reduction from the current net cost
 - o ADD \$300K as seed money for the Hispanic Initiative

Based on the available numbers, decrease in diocesan and Trust Fund income, adding and reducing – still need to bridge a \$22,746,000 gap.

Discussion covered consideration of:

- Setting the diocesan Asking at 21%, 20%, 19%
- C/C including money for the Archives to raise funds
- \$28, \$27, \$26 Million from dioceses
- Mission Funding fee generation of \$850K, which will needed downward adjustment if there is going to be less Mission Funding activity
- Whether it makes fiscal sense to continue publishing Episcopal Life
- The estimates of Legal fees - none of the legal counsel thinks that legal expenses are going to be less than \$4 million in the coming triennium
- Clients of lawyers give the lawyers a budget, not the other way around; legal fees will be what legal fees will be and we need to tell the PB or whoever is in charge of the legal fees that the lawyers will have to cut corners; we don't have the money to maintain legal fees at this level.

Comprehensive discussion of the legal issue ensued and Altagracia Perez joined the meeting at 1:25 PM. Question arose about asking for pro bono legal representation in some places where there are property issues.

Discussion covered various ways to bridge the remaining gap. Sections concurred that their recommendations are exactly that and that decisions are made in the Committee of the Whole.

“New Opportunities” in the Native American Ministries addresses poverty. The Section believes that the title of that line item should be changed or the funds relocated.

It was observed that this Convention is the opportunity to make some real changes. The question was asked, “What if the GC were challenged to figure out how to run GC in 2012 on half the money requested?” If we fund the old way of doing things, we will keep doing it the old way. It was noted that there have been no contracts signed yet for a 10-day GC in 2012, so there are substantial dollars to be saved by having a shorter Convention.

Suggestions were made that that (1) consideration be given to increasing the trust fund draw by 0.5%, which would impact the Budget with a net increase of about \$2.5 million over the triennium and (2) to increase the fees to attend General Convention (noted as a penalty for the smaller dioceses).

Discussion took a look at 5.5%, 5.75% and 6% draws on the trust fund income. It was consensus that increasing the draw would be disastrous.

Adams-McCaslin proposed that the Committee ask itself what is sacred in this Budget and what can cut out?

Quoting Rahm Emmanuel’s now famous, “Never waste a crisis,” Hollingsworth’s opinion was that if PB&F does not make major changes until the next triennium, the Church will be in deeper trouble. He suggested reducing the draw on the Trust Funds to 4% because we are drawing on fantasy money. The most helpful thing PB&F can do is hold up the mirror, own who we are and where we are, and make a bold response to the GC; tell GC here is what you have asked. He asked: Do we have enough confidence in God to live this truth?

PB&F, having worked for 6 days, was less than half way towards having a balanced Budget. Pan asked the members to name what is sacred to you and what is dispensable (the list, below provides fragments describing first, in most cases, what the speaker would hold sacred and, second, what they believe is dispensable:

- Historically black colleges; many of the things we do have no one to take their place – maybe we are asking too much of our people; let’s be leaner and meaner and increase the trust factor
- Aided dioceses and alleviation of poverty; make things more compact across the board; cut CCABs and GC and the way we do business as a bureaucracy (25% of administration)
- Things we can do as the Episcopal Church, not what we can do elsewhere (subsidiarity); first 0.7% of the MDGs and College for Bishops; dispensable – doing GC the way we do it; it is important to be telling the truth, being honest and holding up to the GC the reality, that’s where God is waiting for us
- 0.7% MDGs and whatever must be done by the Episcopal Church as the Church that marks us to the world that can’t be done in dioceses and congregations; CCABs and GC

should be pared – number of deputies can be halved and can still get the work done; this would save dioceses money; we plan to call for assessment and accountability

- College for Bishops (when bishops go off the rails it costs a lot of money); let's do things that help entities raise money (e.g. black colleges)
- Healthy process where the church does its business, its work
- Domestic poverty; cut General Convention – make a radical change
- Can't afford increases anywhere
- MDGs at 0.7%
- MDGs at 0.7%; College for Bishops; not sacred: GC in its current configuration
- Support for aided dioceses; no increases anywhere
- Aided dioceses and MDGs
- MDGs and domestic poverty; cut the GC
- Transparency/accountability – a Church or any organization that can't be believed by its people can't expect their support; if we don't tell the truth about what we are doing, there is no way people will support us; domestic poverty; cut the GC
- Aided dioceses in all 9 provinces and Black Colleges; get rid of GBEC, CCABs and GC
- Aided dioceses; severely curtail CCABs
- Keep MDGs and aided dioceses; reduce GC and no salary increases for next triennium
- Aided dioceses, domestic poverty and advocacy; GC can go, reduce ACC
- Aided dioceses, MDGs, domestic poverty; forego GC and adjust CCAB to better the structure
- Aided dioceses, domestic poverty, MDGs; CCABs and GC need a rude awakening
- Aided dioceses and aid to those most in need and how we communicate to the world is extremely important; shorten the GC and get rid of most of the CCABs – this much governance of an organization this size is just plain nuts
- Aided dioceses; dispense with meetings (we are addicted to meetings) and revise all ways in which the Church operates; wonders if we were to build the Church today would it look the way it looks right now
- Youth, Christian formation and transparency

Comments gleaned from further discussion:

- Have a moratorium on CCABs – make a challenge
- Be comfortable with revenue estimates
- PB&F has not shared anything with the two Houses about the struggle we are having. Should we ask for some time on the floor for PBF to let everyone know what a hard time we are having? We owe it to the Convention to have them help us solve the problem. Our struggle is their struggle.
- We began with a \$25 million gap and we have made it \$13 million. It must be possible to tell the Houses what we seek to preserve and what we are going to have to cut next. It totally would open up the process. We need to hear more from the bodies and they need to hear about how realistic we have been about diocesan giving. I would do some major truth telling.
- Observed that there is more heat being generated than light and that 800+ deputies may form a mob.
- PB&F is charged with the responsibility of the Budget and I recommend we struggle with it. We know the detail more than others do. Overall, there is a high level of trust in what PB&F does.

- No idea how we would field the flak from the Houses but we do need to report back very briefly that this is a huge challenge – while we are deliberating, Resolutions that ask for money are being passed. We are dealing with a very different reality in putting the Budget together.
- Suggestion that the dilemma be added to the intercessory prayer in both Houses to address the struggle.

Wolfe said in addition to prayer, a brief written message that would be like an open letter could be used to communicate. He read his proposed draft. Subsequent responses to this letter supported adding some of the numbers so the Houses will know the magnitude of the situation we are facing. Consensus was reached about getting the letter to Dispatch so that it would make it to the floors of the Houses.

The session concluded at 2:45 PM with prayer offered by the Chaplain. The letter was perfected and copies made for each House.

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At 6:30, the non-bishop members of the Committee reassembled and McAlpen offered grace and at 7:00 PM a plenary was convened. O'Brien began by identifying additional \$2,530,000 in cuts.

- Non-staff costs (Office of PB): reduce by \$300K from \$1,584,000 to \$1,284,000
- Office of COO: reduce non-staff line \$70K from \$187K to \$117K
- Pastoral Development: further travel reduction by \$40K
- Title IV: reduce by \$300K so projected Title IV would be \$1,200,000 rather than \$1,500,000 [other legal fees for property disputes so far untouched]
- GCO Site and Facilities: reduce by \$250K
- Secretariats: reduce by \$30K in anticipation of a shorter GC
- EC: further reduce to \$850,000, a \$50K additional reduction
- Archives: reduce the non-staff line by 10%
- Office of the Controller: cut non-staff expenses by 10%, reduction of \$90K
- Reduce staff of the controller 20%
- Treasurer's Office: reduce travel \$40K
- Procurement: reduce by 20%
- MIS: reduction of \$500K to \$2,440,000, a total reduction of \$854K

Request was made to look at the PB's Office again. It was noted that the Canons require that the PB visits all dioceses during his/her tenure in office. This PB feels that those visits are among the most important things that she does. Mr. Schori goes with her and meets with clergy spouses to talk about clergy wellness. It was asked whether the bishops were asked to meet electronically once a year. The line item for the HOB has been reduced by 20%.

Mission cut recommendations were outlined:

- 1 staff person from Mission Direction
- 2nd half of anti-racism staff person
- Program money from anti-racism
- Immigration staff in Washington Office reduced to half time

- Two positions from Evangelism & Congregations Life and not filling the vacant center director position; reassign those programs to Advocacy and Mission Leadership
- Congregational Vitality, 3 programs doing conferences each year, eliminate 2010 conferences (Start up Start Over, Outward Bound)
- Episcopal Migration Ministries, non-government discretionary budget; reduce travel
- Companion network development, \$41K
- Overseas leadership training, cut travel \$65K
- Ecumenical/Interfaith the second half of the staff person
- Overseas Covenants cut \$612K
- Anglican Communion reduce to \$40K
- Anglican Communion Latin America/Caribbean
- InterAnglican secretariat
- Overseas Partnerships contingency
- Staff travel, other programs – reduce \$14K
- Historically Black Colleges – reduce \$1.3 Million (\$1Million, \$500K and \$200K reductions over 3 years)

Further reductions for Corporate and Canonical

- Reduce Legal Fees in support of diocese from \$4 Million to \$3 Million
- Remove the first CCAB meeting in 2012 for a saving of \$275,000

Travel costs, particularly in the mission area, were examined relative to streamlining. Question arose about renting out more space at 815. This will be addressed in the Management Letter. Other areas where cuts might be made were examined. It was ascertained that the impact of keeping the MDGs at 0.7% rather than 1.0% would be \$340K.

Barnes raised the matter of agencies housed in the ECC. An Executive Council task force looked at the agencies housed there. We don't charge them rent but there are services we provide (check- writing, accounting, financial services) that could be reexamined.

The Committee talked about MDGs and domestic poverty and one way of responding to each of those initiatives would be to provide 0.7% line items for each. Consensus was reached that the \$27,000 grant to the Episcopal Church Foundation should be removed. Provincial Coordinators, a line included in Domestic Block Grants, was reduced by 20%.

Land proposed that the income assumptions be changed from -5%, -4%, -3% to -4%, -3%, -2%, which would create \$1.7 million more in revenue.

Suggestion was made to cut \$10K from ethnic ministries for a total of \$30K and to take \$1 million from loan repayment. It was **moved and seconded to cut the GC line by \$500K**. Discussion followed, concluding that the experts in finance and GCO management would figure out how to live into a lower budget. **An amendment was moved to take another \$500K out of this line. Seconded.** More discussion. **The vote on the amendment failed.** A second amendment was **moved to remove and additional \$250 K. Seconded. Vote carried. Vote on the main motion (cut General Convention Site and Facilities by \$750K) carried without opposition.**

Discussion looked at the impact of cutting the Evangelism Department, lay ministries and the Women's Ministries. It was agreed that these ministries can be done well on the local level. It was clear that the College for Bishops can only be done at the national level. Latino Ministry strategy, it was believed, might serve as a model for other ministries.

Conversation covered the need to educate the bishops and deputies about the decisions being made, the change in resourcing in the past 25 years from person-to-person to electronic media, and how decreasing ethnic ministries will show how sustainable they are on their own.

“What sacrifices are the bishops making?” was asked, and an observation made that decisions have preserved a high class privileged House of Bishops. The opinion was expressed that making the College sacrosanct in a year when we are trying to claim our identity as the whole Church reinforces the hierarchy in a way that doesn't help our identity.

It was explained that the College for Bishops is schooling that happens at camps and conference centers and informs bishops about being a bishop. C/C had reduced the HOB line item by 20%.

It was moved that recommendations the recommendations for reductions of Evangelism \$535,000, Women's Ministries \$542,612, Lay Ministries \$455,575, ECF \$27,300, Ethnic Ministries \$30,000 from each for \$120,000 for an aggregate total of \$1.6 Million be approved. Seconded. An amendment was offered to add a \$50 K cut from College for Bishops line. Seconded. Discussion. After additional discussion, the amendment was withdrawn. Vote on the motion carried without opposition.

It was then moved to reduce the HOB portion consultant line item to \$90K (\$30,000 per year); to reduce Theology Committee travel to \$30K (to \$10K per year); to reduce the Bishops' Spouses Planning Travel to \$30K (\$10K per year) and the HOB Planning to \$45 (\$15K per year). Seconded. Discussion. Motion carried without opposition.

Motion was made to pay down the debt principle by \$1.1 Million in the next triennium, rather than \$2.1 million. Seconded. Discussion. The vote on the motion carried.

Revisiting the recommendations, black colleges became the focus. **A motion was made to retain full funding for black colleges. Seconded. Discussion.** Most people in the Church don't know that we fund these schools at that level, and it would be good to know what the grant goes to and how it evaluated. It was clear from the hearings that we do a very poor job about sharing the news about what we do. If the people in the pews knew we support the Black Colleges, it might make a difference. How can they be helped to begin doing their own fund-raising? **Moved - table this motion until we know how far the gap has been closed. Seconded. Vote carried.**

It was then moved to put black colleges back on the table for continued discussion. Seconded. Motion is \$1Million, \$1Million, and \$1Million over the triennium. Barnes pointed out that support for the Black Colleges is an area where block grant accountability and reporting are continuing issues. St. Augustine's runs a budget surplus every year. These are considered historically black *Episcopal* colleges but the 'Episcopal' is very tenuous. The colleges meet several of the mission priorities, however. **Vote: carried.**

Anti-Racism was next considered and described as a good example of ministry that can be done very well at the diocesan level. It was agreed that the burden of this training was appropriately shifted from the Church Center to the dioceses that that diocesan networking will be encouraged. It was noted that the program was designed to put itself out of business – it was to train dioceses to train their own people to do antiracism work. It was **moved to make these reductions (\$174,000), seconded and carried.**

Looking at personnel in the Office of Government Relations in Washington DC, there is a new position for advocacy for refugees and immigrants. I was **moved and seconded to make this a half-time position, reducing that line by \$120K. Vote: carried.**

Evangelism and Congregational Life was considered next, specifically to decrease \$232K for the Events Officer staff position and \$577K for the center Director position that is currently vacant. The program piece would be re-assigned to other centers. This measure was **moved and seconded.** Question arose concerning where this work will happen and who will do it. Cutting these positions doesn't mean that less will be done in congregational life, as there will still be a number of experts remaining on staff to achieve robust support. It was agreed that ways to communicate that there is no desire to wipe out the ministry must be determined. **Vote: carried.**

It was then **moved, seconded and carried** to reduce Congregational Vitality by \$100K.

Consideration was then given to Episcopal Migration Ministries' discretionary money for non-governmental work. It was **moved and seconded** to remove \$113K that is used to provide extra grants to affiliates who are managing placement for immigrants around the country, a bonus or extra compensation for affiliate offices. **Vote: carried.**

It was then **moved to decrease the Controller's staff line by \$600K. Seconded.** This represents a 25% staff reduction, but it was noted that the work will not be reduced by 25%. The Finance Office in 2006-07 was the only area in the ECC to do an analysis to ascertain proper staffing for the area and they reduced staff by 2.5 positions. Eliminating three people seemed excessive and may impact the workflow. It was pointed out that huge cuts are being made in the program areas that require concomitant reductions in administration. A competent, well-run and smooth Finance Office will share in these cuts. Eventually, a **motion was made to amend the reduction to \$400K (two staff positions). Seconded. Amendment: Carried. Vote on the motion: carried.**

It was **moved, seconded and carried** to reduce Treasurer's Travel by \$40K and **moved, seconded and carried** to reduce Procurement (office supplies, printing, machinery copiers throughout the building) by \$120K.

A motion was made to reduce EC travel by additional \$50K. Seconded. This line had been reduced from \$955K to \$900K. This recommendation is predicated on EC not traveling to all 9 provinces in one triennium but to use a central location more frequently, and requiring research into finding the most cost-effective venues possible. **Motion: carried.**

Moved that the statement of legal fees be reduced to show projected legal support of dioceses will be \$3 Million in the Proposed Budget. Seconded and carried.

After additional discussion it was **moved, seconded, carried** to reduce \$80K from non-staff expenses from the Archives (a 10% reduction). An **amendment was moved that a 20% cut to the staff line should be made as well. Seconded.** Discussion pointed out that Archives needs a development office in order to raise the money they need for the new facility. **Amendment: carried. Vote on the motion: carried.**

After thorough discussion about each of the line items under consideration it was **moved, seconded and carried** to:

- reduce the Controller's non-staff line by \$90K
- to reduce the PB's Office non-staff costs by \$300K
- to reduce the COO's non-staff line in the amount of \$70,000
- to reduce a staff position in the PB or COO's office
- to make the Title IV legal fees line \$1.2 million

A detailed conversation covered the Office of Pastoral Development. It was agreed that this is a resource that cannot be replicated elsewhere and is called upon by standing committees and dioceses. No one in the ECC has a fuller, more complex plate than this position. A review was made about the breakdown in the budget area and suggestion that this area needs to participate at some level in the pain. A 20% reduction was recommended. Observation was made that, unless care is taken, the job may become so unattractive that no one will take it on. The entire enterprise might be lost if the existing staff is demoralized. A recommendation was made that office space might be found in a church or diocese where rental costs would be much less. Assessing the job currently being done in that office and redefining it was suggested.

Mike Klusmeyer brought the session to a close at 11:55 PM with prayer.

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Adams-McCaslin brought the **July 13th** session to order at 6:56 AM with thanks to the financial staff, who stayed up until 2:45 AM working on the re-calculations.

Barnes reported the current budget gap after the reductions made last night. Returning to the economic decline assumption of -4%, -3%, -2%, there is still more than \$4 million needed to close the gap to have a balanced Budget. Adams-McCaslin observed that there is not a place in this Budget where people's ministries haven't been affected.

It was moved to reduce Historical Black Colleges to \$750K per year for the triennium. Seconded. After discussion, the **motion carried.**

The following reductions were **moved, seconded, discussed, some amended and carried:**

- \$100K in non-staff costs in Office of Pastoral Development.
- additional 10% from chaplaincies in non-staff costs
- one staff position in the chaplaincies office
- 15% from the Communication line
- Title IV line to \$300K per year for each year of the triennium
- \$150K from Theological Education

- \$150K from Strategic Planning
- \$529K from Church Deployment, \$68K from the conference line

The funding formula was revisited. It was **moved that the percentage of the Asking be 21% in 2010, 20% in 2011, and 19% and to eliminate the increase in the deduction. Seconded.** Discussion. **Amendment was offered: Reduce the deduction increase to \$112,500. Seconded.** Discussion. **Vote: defeated the amendment. Vote on the motion: defeated the motion.**

Various solutions were examined including

- UTO staff line; whether or not it is possible that the UTO become self-supporting
- GCO staff costs
- What about factoring in an increase in rental income at 815
- A 10% in the CDO line

It was **moved, seconded, discussed and carried**

- to reduce the CDO line by \$68K in non-staff line and additional \$46K in staff travel and conference expenses.
- To reduce Building Services' contingencies by **\$63,000 for the triennium.**

Recommendation was made to re-evaluate worship space on the ground floor and possible rental of that space. This will appear in the Management Letter.

Let's look at mission grants that we are giving that have no evaluative tool behind them. Matters of accountability were raised, specifically to connect accountability and diocesan giving. Barnes was asked to identify what those grants might be. He reported that there is good compliance from our covenant grant recipients.

In ordained ministry and transition, the actual ordained ministry person (unfilled currently because of retirement) has been eliminated along with funding associated with it and Fresh Start. The new head of that office was hired on July 1 with a mandate to rethink the whole process of deployment. Hollingsworth advocated for the importance of the networking that comes about as a result of Fresh Start.

It was **moved to reduce translation line items throughout the budget by 20%. Seconded.** Discussion. Running through the budget the total cost is about \$1 Million. If we are trying to grow the Church, this move would be inconsistent with that. Cutting would send the wrong message. **Vote: motion failed.**

Motion was made to remove \$32,760 from missionary personnel. **Second. Carried.**

It was **moved that 20% be reduced in staff costs on ordained ministry in transition. Seconded.** Discussion. Could the work of this office be considered a benefit to clergy, like CREDO, and funding sought from the Pension Group? Why couldn't it be part of a defined benefit for Clergy? This would be another topic for the Management Letter. It was learned that this change is already in the figures.

Moved: that \$120K as the standard deduction be considered instead of \$125K. Seconded. Discussion. **Vote: Carried without opposition.**

Moved: reduce translation costs by 5%. Seconded. After additional discussion the **motion carried.**

Moved: that the income assumptions for the funding formula be outlined as follows: -4%, -2%, -2% (a change from -4%, -3%, -2%). Seconded. Discussion. **Vote: carried without opposition.**

Adams-McCaslin asked that PB&F consider recommend changing the word Asking to “Giving.” **Moved and seconded.** Discussion. Canons were checked. They provide for Asking. Motion was withdrawn.

It was decided that, today, PB&F would worship together in plenary in order to finish the work.

Conversation covered the Task Force that PB&F is proposing for operations and accountability. It would be a short-term Task Force with a high level of commitment from its members, beginning work in October 2009 and ending by June 2010. They would meet at the 2009 First Meeting, costs involved being an additional night in Chicago for this committee. A&F would have to recommend and EC would have to pay the expense.

For the interim report, a smaller group than EC could vet a draft. Adams-McCaslin spoke with a member of Structure who said they would be happy to work together on this. She added that there is much support for constructing this group. Because of the role of PB&F between GCs is not fully defined, seek to eliminate EC being at the center of the Budget work for 2011 and to accomplish ongoing involvement by PB&F in Budget oversight.

It was moved that PB&F approve O’Brien’s draft of the Task Force Description in concept to affirm that this is a meritorious idea that should be presented and pursued. Seconded. Vote carried without opposition.

McAlpen sanctioned a 5-minute break after which time Adams-McCaslin updated the group on where things stood with communicating with the PB and the PHOD regarding budget cuts. Agreed to reconvene for worship at 11:30 AM or as close to that time as possible.

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At 11:45 AM Smith had returned from being away for two days and was amazed at the progress made by the Committee over the past couple of days. He thanked everyone.

Shortly after noon, Boss introduced the Budget Book mock-up and explained the component parts. Some suggestions were made about additions. Boss said there were already additions of reminders about the role of deputies after GC and a report of the Funding Hearing and how it informed the process. Section dividers instead of tabs will be used. Jon thanked Mary for introducing Wordl.com and Sheila for learning how to use it to make the dividers.

It was moved to accept the Budget Booklet. Seconded. Motion carried.

Schedule was amended for the morning, so that the meeting would commence at 7:30 AM rather than 7:00. Adams-McCaslin thanked everyone for their faithfulness and attentiveness last night.

The most recent Budget was distributed, presented and explained. Diocesan commitments projections use negative 4%, 2% and 2% of diocesan income. In column O there is a graphic of the difference showing revenue down 13%. The translation line in Mission Director's Office was moved into Translation Services (CCABs and GC) and the rest of translation located in the Partnerships section. Generally across the board, there are reductions in some cases up to 100%.

The Resolution list was reviewed in order to identify what was already in the Budget. Line items were discussed and the presentation of the numbers to honor the plea for transparency. Question arose about the 40% increase in the HOD and explanation given about the line item for PHOD travel having been dropped in error.

Discussion followed about how to cover the legal support position and where the funding for the position comes from.

Moved that the legal salary (adding one half salary to the Legal Assistance to Dioceses) be added at \$50K per year. **Seconded. Motion carried.**

A review was then made of items that are already in the Budget and discussion about the various ministries represented followed. An observation was made that there will be more resolutions with funding implications passed by both Houses. It was **moved** that \$200K from C013 (seminary education) be used for Hispanic Ministry. **Seconded.**

Discomfort with the additions was aired and suggestion made to restore some of the staff lines.

It was recommended that the resulting \$300K surplus be used for domestic poverty response, Appalachian Ministries, domestic poverty (to be included in the Management Letter) and to use preexisting funds for the bulk of that. There was much support for the restoration of staff. It was noted that the Jubilee Line, where \$280K had been added, would address domestic poverty.

Observation was made that sun setting some departments at the ECC would allow the sun to rise elsewhere and that the Committee should not confuse the loss with the new things that will happen. This planning means that 2010 will be a visioning year for 2011 and 2012.

Save the \$300K for Hispanic Ministries.

It was moved and seconded that the MDG money go to Episcopal Relief and Development. Seconded. After additional discussion the **vote carried unanimously.**

The following were discussed, moved, seconded and carried:

- \$300K added to Hispanic Strategy (Kurt noted that it is already in the Budget)
- Funding the Senior Ministry Task Force
- \$10K for Children's Ministries
- \$30K for A183, continuing the work of the Budgetary Task Force (to vision budgeting in a 9-year cycle)

- Add \$200K for seminary debt relief
- Add \$157K to Title IV and College for Bishops

It was then **moved that PB&F approve the entire Budget as presented with permission of officers of PB&F and the Finance Office to make such necessary changes to perfect it. Seconded. Vote carried the motion unanimously.**

Keucher closed the session with prayer at 1:47 PM. Presentation continued to work on the physical presentation until 1:45 AM.

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Adams-McCaslin called a plenary session to order at 7:35 AM on **July 14**, welcomed everyone to PB&F “detox,” and Father Keucher offered a prayer.

Keucher reported that the Committee intends to report out the Resolution (about parity among the three sections of the Budget) with a recommendation to reject. The mechanics of this process were discussed as they pertained to the HOB. The HOD didn’t want to interrupt the Budgetary Funding Task Force.

Judge had been asked to tally the hours PB&F has worked: to the moment, a minimum of 57 hours had been spent in budgetary deliberations.

Evaluative Comments (below – most of which are directly quoted) were invited as were suggestions for items to include in the Management Letter that will go to EC, the PB and PHOD concerning future work.

Keucher - observed that the last two times the budget process work for PB&F has been made extremely difficult by EC’s failure to read the field and prepare a realistic Draft Budget.

Bardol – loves the process and always being part of it all.

Judge – so impressed with the staff and the way the committee works in plenary, in sections, the ability to listen to one another in a process where we were all focused on what is best for the Church; our hearts take us where the checkbook can’t.

Lyn – PB&F needs to get more funding decisions done earlier.

Paco – it was necessary for PB&F to do major surgery to the Budget, the Draft Budget was not realistic.

Dawson – unfortunate that A&F didn’t see what was happening in the economy in order to do something about it.

Caspar - this has been quite a ride and an enlightening process; he was surprised at the huge gap and what this Committee had to do to close it. He was fine with the process until people’s lives were effective.

Perez - even in PB&F we experienced the tension of how to do things differently. The exercise about the things we keep and the things we let go was a good process. Concerned about the broadness of the Budget Priorities – we're going to do everything. "I feel honored to be on this Committee – it is a sacred task we do here and I felt like the work was horrible but we did it so well, we made good decisions." PB&F needs to get more information earlier so that the line-by-line examination can be done earlier. It is a grueling schedule and Presentation really gets the hit.

Dinorah Padro (interpreter) – from an outsider's perspective, said that in situations like this the worst in people is likely to come out but this group gave the best of its minds and hearts.

O'Brien – ditto Dinorah, you gave full measure of your intelligence and full measure of your hearts. It is a privilege to serve this Committee. If the funding formula could be set at the March meeting before GC, PB&F could come into the work at GC knowing what the funding is and have the opportunity to use Basecamp in between. It is an enormous honor to be among you.

Glasspool – It has been a huge learning curve and it is a deep honor and privilege to get to know you and work with you. Loved working on the priorities, even if it felt like we were doing everything. Basecamp helped bring me into the 21st Century and what kind of work can happen other than face-to-face. Suggestion: when in Sections, C/C and M/P work on the same Detailed Budget. C/C was working with the 92-page Detailed Budget and M/P was working with the 42-page Draft Budget. Thanks to Tom for leading C/C on Basecamp and trying to get every piece of information possible available ahead of time. Suggestion: as the Church moves more into electronic ways of doing business, we'll need to establish norms about what is appropriate and inappropriate, what is useful and what isn't. Establishing some kind of normative behavior would be helpful.

Bickford – This is a truly unique experience – been on many budget committees – but to be in this situation, everyone has an equal voice, no one is trying to take charge and saying we do it my way – it is truly a group effort. I felt prepared to be here and using Basecamp helped me understand the Budget document. Nobody else could do what we did.

Councill – Personally the Funding Hearing was the high point. It had signs of grace all over it. The Letter might reference: John 15 – the idea of being pruned; John 24 – if a seed falls to the ground it may grow and bear fruit. This is my 2nd time on this Committee and I am amazed at the lavish amount of time we spend caring for each other. Can this be done in 6 days? Come away humbled by the gift of your time and dedication. Thanks to Tom. How much I cherish the staff that kept working in the same room while we were cutting budgets. Thanks.

Klasmeyer – Thanks to everyone but especially to Pan for her calm presence and leadership style. In seminary, did CPE with a man who was a chaplain in Liberia, where there is a saying, "the fish rots from the head." If that is true, the fish also gets healthy from the head. Thanks to Drew for his faithfulness at a difficult personal time. He agreed that the earlier PB&F gets information the better, both in income and expense. Electronic media is a great asset across the board and it will be interesting to see what that will look like in 2 years. In sections, it would have helped to have Linda earlier, who could more readily identify savings. HOB notes a wake-up call to the Church. Ultimately it isn't up to this Committee to dictate what we are going to do but it is the reality. God was here in the work.

Floberg – Basecamp experience started to get my head into the process a long time ago. Had we just had the meeting in March and nothing in between, the process would have been more difficult than it was. The job Tom was doing was the equivalent of a fulltime position. It is critical for Section heads to have great discernment about who has the wisdom and the time to do the work. I have never have been in a group like this with an array of interests where staff is so helpful. Proved time and again the capability of doing what needs to be done. Also, I am mindful of the respect for and from everyone in the room. You are a tremendous group of people. The Church is lucky.

Whitmore –A couple of things stand out: getting to know Tom O’Brien and appreciating his leadership; how does one live after PB&F meetings? In blogging, I described an experience of real holiness but it is one of the things I felt every time we got together. Everyone understands that the money is what we work with but that it means something else. We are not here because of the money and everyone understands that.

Land – I am enormously impressed by the intellect and dedication of this group and humbled to be a part of it. Still consider bringing cots in. I think in the process we are too dependent upon the staff. They have been marvelously cooperative but I think continued work on systems would help to reduce the dependence. Observation that is mostly personal about the bishops on this committee – when I was a kid in The Episcopal Church our bishop was a man by the name of Hart, Diocese of PA, whose grandson is now a deputy from PA and whose hair is as gray as mine. My picture of a bishop was someone regal, just one or two steps below God, and unapproachable. I have to tell you that the bishops on this Committee are people who work hard, they roll their sleeves up they’re not class-consciousness. They treat us with dignity and respect and as equals and I believe that it bodes well for this Church.

Bingham – thanks to Dan for the story that puts it in perspective for me. They (the bishops) had so much influence on the decisions we made. If he had known when accepting a position on PB&F he would have done some marathon training. It is an amazing process of accommodation – seeing the big picture in the midst of all that detail. I have never seen a body able to do that before. How much we rely on the people with experience. Section leaders were able to guide us through the process. I hope we will continue to have people with experience on the Committee. People who have done it need relief. Big picture is that this group is not remembered as the ones who had to slash and burn in the midst of crisis but the one that made an important contribution toward systemic change and accountability. It has actually been kind of fun.

Wolfe – I am also humbled with the broad authority granted to this body. It is an enormous responsibility that is entrusted to us. Notes would be related to Larry’s point about experience. Be careful about moving people from section to section. While everyone needs a well-rounded experience but it takes 2 Conventions before you figure out what is going on. I would like to move into the numbers earlier, which is subtle because we need to build the community to do the work. Two letters to EC might express disappointment, one now and another when they are preparing the next Budget. Remind them – keep it in front of them. They made our job much more difficult by not facing the realities. Ask the PB to send a letter demanding diocesan reporting. Make sure that we mandate evaluations for grants. I think giving large grants without accountability is irresponsible. It has been a pleasure but it has been a difficult pleasure.

Allen – Muchas gracias to everyone. It's good to be here with the group. Appreciate the time I have served on PB&F. Two things to take back after this experience: using Basecamp (it was so good to have materials that could be used to familiarize us with the work), we were being ushered into the 21st Century and our experience in both the spending and funding hearings. This is my 3rd time on PB&F and I always look forward to those moments. Listening to the people coming to the microphones – for each person, the project and reason why they are here brings alive about what is going on in the Church. The new model of the Funding Hearing was a reaffirmation of what the Church is being called to do.

Esmay – I have a deep sense of privilege of being in this room and am so honored by being asked. This has been the Convention for me – right here in the room with all of you. I have learned so much about the church. Thinking PB&F was like a sandwich filling with the HOB above and the HOD below. I am very grateful for PB&F's leadership. We may be deeply divided, you and I, but when we are here we are not; we are here for the sacred task we have to do here. For what we can offer the Church is a model for living into the Budget and we are already doing that with Basecamp (Mary – work on those norms). PB&F needs to be what we ask the Church to do. Came expecting to struggle with numbers. What I didn't understand is the program implications behind the numbers or to struggle with structure to the extent we have - and that suggests vacuum. What I see is what happens when people rush into a vacuum. We are compiling a Management Letter. I now wonder, who will read it?

Hollingsworth – for everything that has been said for our work, our appreciation and affection, I agree and I will apologize that the Resolution about equal giving/attention to mission failed in the HOB because we didn't teach the bishops was it was all about. We said 3 years ago when we left the 2006 GC that we have to do this in a different way. I don't think that is accomplished overnight but we have done a good job of doing it differently. This will continue as we move forward. I am humbled and inspired by the willingness and courage to use the leverage we have with the Budget to change the Church. The most important piece of this begins now, it doesn't end now. I put confidence in the Joint Rules and believe if we understand this not as a 12-day commitment but as a 3-year commitment, if we can work as PB&F for 3 years, we will effect this change. We will not again have to be reactive because we will be part of it [the Budget] for three years and I pledge to you my commitment serving on EC to affect that. The work we did with staff this time was extraordinary. It shed the kind of antagonism that the structure wants to foist on the group. We need to stay vulnerable and open and don't let it bounce back. That collaboration is a model for how we can work with EC and with the administration of the Episcopal Church and I think we are doing it in a radically different way.

Scarfe – I was conscious going in to this meeting of a couple of things. I was aware of Lloyd and the political unrest in Honduras; of Drew dealing with a personal family issue; of a close friend dying. We did what we had to do; lifted by one another, and the team building we have done although we have been a pretty consistent team since the last triennium. I was mad with the ECC because I didn't think much good was going on there. I didn't think the EC was being responsive to reality. You helped me shed all of that. The tears of yesterday were brought about because, as I sat next to Linda going through the list of employees who might be losing their positions because of the necessity of cutting into the administration, the reality was incarnated here on a pad of paper. We were true to those witnesses we heard at the spending hearing, we were true to the priorities and true to the underside of the Church life. Tom has to be thanked for being stubborn and insistent. We skewed our possibilities but he stuck to his guns. His lead-in

leadership was remarkable. With the C/C side, once we do gather and go over the different items we agreed on through Basecamp, we may learn from the M/P side to break up into smaller sections to take responsibility for specific areas. That's what they do on the mission side and I missed that this time – we may be able to understand more thoroughly what the cuts mean. I appreciate the discipline about being able to talk until we take up the numbers. The continuity may end, as some people won't be on this committee again. The work we did on structure needed to be done. Identifying subsidiarity is something we have done. Now maybe we need to step back from that. I am grateful for all of you for your gracefulness. Thanks especially to Holly as her role is one of spiritual director and I appreciate that.

Holly – I am happy to say that I am no longer ridiculed by deputation as being a bag lady. The bags were very purposefully given to accommodate the paper. Basecamp has taken that away and I appreciate that. I hope it will be a more widely used tool as a result of our experience. There is a lot I could say – one of the great gifts of the committee is secondary gain. I and others go home a lot more courageous to do things back home. This hard work and the enterprise have been so difficult and so stretching the rough spots at home are small in comparison. We are braver to take on the challenges and, maybe, corporately braver to challenge people who know each other to do wonderful work. The secondary gain is not to be undersold. We work a lot without a net. This is my final Convention. I wish you all a Spirit-filled [hyphenated word] time. It has changed me and it has changed you. I look forward to what God is going to put before me next.

Margareth – I am amazed with people's talent and devotion to the work. In terms of the process itself, we held the hearings. I would have the Funding Hearing first as a prerequisite to the Spending Hearing. The other thing that puzzled was that there was no financial disaster between the drafting of the Budget and the time we arrived here. There was information we relied on when the Draft Budget was adopted that forced us to work around the clock to balance the Budget, putting so much pressure on the committee and on staff. Going forward, if GC is going to be 6 days, better preparation should be done. It is easier to work after the priorities are known but not to make the kind of major cuts we needed to make. Staff remained composed but there was heavy pain inside. Thank you for allowing me to be part of the Executive Committee.

Alpha – every time I come into PB&F I wonder how the process is going to unfold. This time around I am more impressed than before. Thanks to the leadership, it is great to see the direction and passion and to see how the group is led. Thanks to Kurt and colleagues. In terms of the process, after we have gone through sections we have different items and adjustments and how that all unfolds and gets translated into the Budget is interesting. We are never sure from the lists what changes are going to flow into the Budget. We need to think about a better way of flowing the decision-making into the Budget itself. In finance we are looking into a budgeting tool that might make that easier. We made significant cuts – please give EC direction if more money comes in than anticipated. It is important to live into the Budget. It gives us more help in terms of monitoring. Make sure the CCABs live into their budgets.

Kurt – thanks to everyone, Pan and staff. Everyone worked equally hard in the Finance Office. I remind my staff that everyone views “us” as policemen but we have to recognize that and hope that we are good cops even though we might be perceived as bad cops. When you get all the “must bes” you need to ask the person – will anyone die if this isn't put first on my list? Is it life or death? Is it must or want? We have produced a Budget that I appreciate and look forward to

living into. I have been most interested in efficiency and effectiveness and this Budget will force the ECC to be effective and to look at what must be done and what we want to do. Management Letter: I love them; I read them. I hope it's not 5 pounds, if it is, it should be on line. In terms of having people read it, the burden will be to have PB&F members demanding periodic reports from EC and A&F. Tell them we want to know from you, we have given you direction and we want to know that you are paying attention to what GC is asking and saying. That will keep PB&F in the room for the next three years. Basecamp is terrific. It provides a forum for responding and I hope that the Mission Section will use make its reports available to everyone next time. Staff might participate earlier on the mission side and reach an understanding about what is going on in mission. There is a new world coming.

Drew – Thanks to all of you for the personal support and for allowing me the flexibility to spend time with family. I hope that you continue as a Committee to look at the structure as well as doing the task that is assigned to us. While you were the gerbils running around in the wheel, some of us have been looking at the cage. Mission Funding Section and MFI, a new department, is all of a sudden in our midst. Put that in the Management Letter. In light of that – some coalition conversations – how can we get interested and effective parties from the GC together that can be blended back into the whole? If we do have a 6-day convention, PB&F will have to meet 3-4 days ahead to get the work going. Agree on the necessary software. We don't know how this budget is going to be received. Thank you Pan, you have worn many hats and worn them beautifully.

Pan – I heard what I know and what I believe. We need continuity on the Committee and we need new voices. Many of us (Pan, Drew, Holly, Altagracia, Lyn, Lloyd) will be moving off PB&F. Eight of nine bishops from last GC agreed to do this again and that made this work. It is very meaningful to have the bishops here and present. What impressed me about this work was the willingness to be real, to speak the truth and, as hard as it is, to hold on to our personal agenda. I am grateful to each person. I am really in detox but the gift is that my study at home gets to be shredded. What I heard this morning is that our next Chair has emerged from this group. There is an online nomination form. Please download it and fill it out if you want to serve on PB&F again. Out of the membership Drew and I will present a slate of officers and will ask the Committee to vote. Tom is willing to serve as next Chair. I could not have done this work without Kurt, Tom and Nancy. Thanks to Dennis and Richard for making sure the work happened.

Next steps. There will be election in HOD for EC (Paco is running). If he is elected there will be 3 PB&F members on EC and that will help going forward.

The decision about whether or not to have music during the distribution of the Budget will be made in the morning. Minutes will be posted on Basecamp. Please read with regard to content and send edits to Nancy for changes. We have to have a final for the Archives by next week.

Tomorrow morning we will talk about the presentation of the Budget. PB&F sits in front of the house together. Pan and Drew will present the Budget and then the Committee members distribute it. It is PB&F's gift to the Church.

We have met with the Presiding Officers and they understand the decisions that have been made. The PHOD believes that there may need to be a special order so that people can speak about the budget.

Sheila entered the room to a standing ovation for managing to get the budget document ready for the printer. Invitations to the Appreciation Reception were circulated.

There was a discussion and some guidance given about responses to questions that will surely be asked before debate on the floor of the HOD. It will be important to say that the Budget is one for the Church and that PB&F offers it as such; the Houses have 24 hours to look at it. As they do, they will realize that everyone has been affected by this Budget. This is a hopeful, creative Budget based in the work of the Church and we are excited to be able to offer it.

Glasspool suggested that each person try to offer the message that we are all in this together. Every single deputy, individual in the Church, all are affected and everyone must work together to give birth to a new order and offer Linda some pastoral support with the ECC staff as we move through this.

Pan and Drew have offered to be present with Linda when she meets with staff.

Adams-McCaslin recessed the meeting at 9:30 AM, the Budget having gone to the printer and anticipated to be delivered timely Thursday. PB&F meets next on Wednesday at 8:00 AM.

* * *

On July 15, a plenary session was called to order at 8:15 AM. Sean McConnell, media specialist helping with the Budget presentation, was introduced to the Committee. Keucher offered a prayer.

Jon talked about the difficulties encountered with the production of the Budget. He thanked everyone who was involved with the components of the document.

Adams-McCaslin welcomed Echeverry back to the plenary after several days' absence and thanked Keucher for his work as Chaplain. She reminded everyone to be at the HOD at 1:30 this day.

In a discussion about whether or not to use music wide-ranging opinions were shared. It was agreed that the presentation would be one done in celebration, in the name of Christ, without apology. We (the Church) have abundance; we have more than most. There would be music.

It was pointed out that the enabling Resolution 3.0 shows that EC and PB&F work together during the triennium - both our roles are stated, giving the committee the opportunity to claim the role in the Joint Rules and Canons that has not been claimed in a number of triennia.

More discussion covered the actual verbal presentation of the Budget, where to emphasize certain realities. Points needing to cover were:

- PB&F has been asked by the Church to be accountable, transparent and honest. “This Budget asked the Church to live within our means. We cannot spend more than we will provide.”
- As PB&F moves forward the PHOD asks that PB&F honor the oversight provision that has not been claimed. The new Chair will attend EC meetings.

While discussing how this work might be done, a small, joint working group of PB&F and EC was suggested that might help fight against the tendency to set up adversarial relationships. The COO might be included this group along with one person from each section. Can EC members be involved in GC committees? Could an EC member sit in on PB&F deliberations at GC so the work can be done in an integrated model? Could the Chair of PB&F have voice and vote at A&F meetings? It makes sense to do the hard work jointly.

Linda Watt, who had not been present yesterday, was asked to share suggestions for the Management Letter and her reflections on the process. Pan thanked her for her help. Watt described the experience as “one of the most Godly” she had ever had. She agreed that this was inspirational work and that the people doing it were so selfless, so conscientious and so kind and compassionate to one another in this very difficult work. “I appreciate being permitted to play a small part in something very important to me. Being able to speak candidly was important. I came expecting not to speak much and I am grateful for the opportunity to speak. I look forward to the management letter. I count you all as friends.”

At the PB’s request, following the presentation this afternoon, Smith and Adams-McCaslin will sit with Watt and the ECC staff as they look at the Budget and begin to talk about the ramifications.

Adams-McCaslin reminded the group about the appreciation reception tomorrow.

In a phone call from the PB to O’Brien, direction was provided with regard to responses necessary to questions about the expenditures on legal fees. Owing to the complexity of those expenses, it is impossible to be accurate about the exact dollars spent in litigation during the current triennium.

O’Brien asked the non-leaving committee members to go to www.episcopalchurch.org and find the link for application for CCABs and, please, re-up. Experience is so important to the work we will be doing between now and the next GC.

McAlpen had developed suggested responses for the Committee to consider using when people ask questions. Things to avoid: reporters. If people want an official comment, refer them to the Chair and Vice-Chair, which are PB&F’s spokespersons. Avoid advocating. Being on this Committee means your first responsibility is to be kind. Decisions were corporate. Never tolerate bullying or intimidation. People often do not manage their emotions in a way that is helpful and the best response is to walk away.

Glasspool thanked McAlpen for these suggestions. She said that, while there is a lot of anxiety about this she is trying to expect the best from people as the Budget is presented. Everyone on the floor is going to understand that we are all in this together, that everyone is sacrificing

something and that PB&F is really engaged in the bigger picture, the mission of the Church, and is trying to respond to the Church that God is calling us to be.

Wolfe added a reminder that because something isn't in the Budget doesn't mean that it isn't valued or being done somewhere else.

Judge said that the budget document points up what needs to be happening in the dioceses and parishes. Hollingsworth added that PB&F paid attention to requests about subsidiarity, accountability and honesty about the revenue and Esmay pointed out that an additional \$20K in the exemption is in aid of subsidiarity, money that will be working at the diocesan level.

Tomorrow morning at 8:00 AM, the Executive Committee will meet to finish the list for the Management Letter.

Adams-McCaslin said that Hollingsworth is cycling off on a cross-country bike ride right after GC is adjourned and thanked everyone who supported the ride, which is raising funds for ERD.

Tom O'Brien thanked the Committee and Pan for everyone's confidence in him to be the next Chair.

The meeting was adjourned with prayer at 9:15 AM.

Respectfully submitted,
Nancy Caparulo
Staff support to the Committee

Draft of a resolution to amend Canon I.4.6. (d) *(Jerry Keucher)*

Resolved, the House of ___ concurring, that Canon I.4.6(d) be amended as follows:

(d) Revenue to support the Budget for The Episcopal Church shall be generated primarily by a single asking of the Dioceses of the church based on a formula, which the General Convention shall adopt as part of its Program, Budget and Finance process. If in any year the total anticipated income for budget support is less than the amount required to support the budget approved by the General Convention, ~~the canonical portion of the Budget for The Episcopal Church shall have funding priority over any other budget areas subject to any decreases necessary to maintain a balanced budget.~~ *The budget shall be adjusted in accordance with the Constitution, Canons and the Rules of Order to achieve a balanced budget that permits the effective functioning of the Corporate, the Canonical and the Program portions of the budget.*

Explanation:

In the case of a budget shortfall, it is undesirable to pit one portion of the budget against another. The Canonical, Corporate and Program portions of the budget are all important, each in its own way, in order for the Church to fulfill God's mission. It seems preferable to maintain an appropriate balance among the portions of the budget.

Attachment II

Resolved, the House of Bishops concurring, That the 76th General Convention adopt the following budget priorities in developing the 2010-2012 Budget for The Episcopal Church.

Budget Priorities:

- Networking the members of the Body of Christ
 - a. Establishing and supporting collaborative efforts within and among dioceses and congregations to promote vibrant ministry in service to God's mission
 - b. Structuring healthy relationships with overseas dioceses of The Episcopal Church and those Anglican provinces historically related to The Episcopal Church, clarifying commitments with firm timelines and establishing necessary accountability
 - c. Promoting partnerships with other dioceses and churches of the Anglican Communion, encouraging multi-diocese mission efforts that reduce redundancy and enhance relationships both domestic and foreign
 - d. Advancing ecumenical relationships and collaborations
- Alleviating Poverty and Injustice
 - a. Inspiring and modeling a genuine commitment to the United Nations' Millennium Development Goals
 - b. Addressing, domestically and abroad, the challenges and consequences of a failing global economy
 - c. Advocating for and working to provide education, healthcare, employment, housing, and equal rights for all of God's beloved
 - d. Promoting environmental sustainability and stewardship of creation
- Claiming our Identity
 - a. Exploring and discovering who we are as The Episcopal Church, within the comprehensive reality of our complex culture and in relationship to others
 - b. Educating about Episcopal Church governance and polity, forming at all ages our Christian, Episcopal, and Anglican identity
 - c. Telling Christ's story and our story, utilizing current technology and a vibrant contemporary communications network
- Growing Congregations and the Next Generations of Faith
 - a. Establishing lifelong Christian formation throughout the Church, with specific support of youth and young adults
 - b. Making evangelists of all communicants
 - c. Teaching and developing the spiritual discipline of giving
 - d. Providing discernment and formation of lay and ordained ministries
 - e. Supporting congregational vitality and development, with particular attention to immigrant, indigenous, and underserved populations
- Strengthening Governance and Foundations for Ministry
 - a. Inspiring and developing sound leadership at all levels of the Church
 - b. Moving from programmatic structures to ministry networks
 - c. Collaborating with seminaries and dioceses to restructure and retool theological education for a changing church
 - d. Reviewing provincial and diocesan configurations and composition
 - e. Assuring standards of accountability and measurement of outcome
 - f. Providing legal and operational support for dioceses in transition or litigation