

Budget Feedback Requested

Below is a link to the 11/2/17 working draft of the 2019-2021 Budget which Executive Council's Joint Standing Committee on Finances for Mission (FFM) presented to Council at its meeting in October. We post it here and invite the Church's feedback and suggestions, by January 10, 2018, about how to bring it into balance and whether it reflects the mission priorities of the Episcopal Church.

<https://www.generalconvention.org/working-draft-budget>

The online survey is found at the link below:

<https://www.surveymonkey.com/r/BudgetComments>

In the current and prior triennia, the budgets were built to reflect the 5 Marks of Mission. The 2019-2021 budget is based on The Jesus Movement with Evangelism, Racial Reconciliation & Justice, and Environmental Stewardship as priorities. Both budget formats include allocations for mission inside the Episcopal church, mission beyond the Episcopal church, and governance, legal, financial, operations, and the ministry of the Presiding Bishop, although they are called by different names.

One of the advantages of The Jesus Movement budget is that it reflects how the staff is organized, by department, rather than spread across 5 Marks and other areas as in the past. So lines of communication, reporting, collaboration, and budget creation are clearer. In the changeover to The Jesus Movement, some sections of the budget were moved, so that it may be hard to make direct comparisons between costs in areas in prior budgets to projected costs in the coming triennium. And comparing percentages can be inaccurate. Some of the major reclassifications are mentioned below.

Here are a few highlights:

- The line item numbers that appear are those of the 2016-2018 budget where applicable. After the final FFM budget adjustments are made in January 2018, the Treasurer's Office will renumber all the lines.
- The first two pages summarize projected Income, 128,429,734, and projected expenses, 132,921,145, resulting in a deficit of 4,491,411.
- On the Income page (1), major sources of Income are:

Line 2 - Diocesan Commitments (Assessments required beginning January 1, 2019) In the current triennium commitments asked dropped from 18% to 15% with a \$150,000 exemption for each diocese. The Line 2 2016-2018 figure is the expected actual commitment (not an assumed full commitment). The 2019-2021 budget shows a gross number, the full 15% with \$140,000 exemption projected assessment from all dioceses. The red box below is an allowance for those dioceses which might be granted waivers from paying the full amount by Executive

Council in the Assessment Review process. This is a very conservative number and will be refined as the review process unfolds.

Line 3 – Income from Unrestricted Assets & Outside Trusts - these two lines represent a 5% draw from investments and dividends received from trusts not managed by the DFMS. While the Investment Committee's recommendation of moving toward a 4.5% draw appears to be unattainable in 2019-2021, the 5% draw moves us down from a 5.7% due to special draws taken during 2016-2018.

Line 3 – Annual Appeal Campaign - \$500,000 from the Development Department's new Annual Fund solicitation to fund ministries in the operating budget. Of this \$88,000 will cover the costs of annual campaigns.

Line 4b – Racial Reconciliation - \$2 million dollars was set aside from short term reserves in the current triennium. Since this was a brand new program, it took over a year to get up to speed, so the full \$2 million will not be spent. The 2019-2021 budget carries over \$1m for this work.

Line 4a-c – Special draws were taken in from investments and reserves for Development, Evangelism, and Racial Reconciliation in the current budget, resulting in a trust fund draw of 5.7% and depleting the reserves. Draws of over 5% from investments are not sustainable over the long term. The short term reserves are now considerably lower at \$2.3 million than the \$9.5 million required to cover 3 months of operating income.

In summary: In the current triennium, Development (\$1.1 million), Racial Reconciliation (\$2 million) and Evangelism (\$2,823,226) were funded from special draws from investments and reserves for a total of \$5,923,226. As mentioned above, these draws are unsustainable. So except for the \$1million hold over for Racial Reconciliation, to be fiscally responsible, none of these sources of funding is available for the 2019-2021 budget. The working budget includes an effort to fund these programs from assessments and a 5% draw.

- Expenses (page 2):
The Expense Categories for the 2019-2021 budget include: Evangelism, Racial Reconciliation & Justice, Creation Care, Ministry of the Presiding Bishop to Church and World, Mission Within the Episcopal Church, Mission Beyond the Episcopal Church, Mission Governance, and Mission Finance, Legal & Operations. They do not perfectly correspond with the 5 Marks budget categories.

Some examples of the budget format changes that make comparisons of expense totals between the triennial budgets difficult (apples and oranges) are:

- Mark 1: Proclaiming the Good News: many of these lines moved to the Evangelism area. However the Communications Department moved from Mark 1 to Mission Within The Episcopal

Church, and the Presiding Bishop's Office moved from Mark 1 to its own category, Ministry of the Presiding Bishop to Church and World.

- The Research Department moved from Local Efforts in TEC to Mission Governance, General Convention Office.
- Ministries for which the Presiding Bishop has responsibility have been consolidated in Ministry of the Presiding Bishop to Church and World. The College of Bishops and Federal Ministries moved from Marks 2 and 3; Title IV investigation and trial, and the Governing Board of Examining Chaplains (GBEC) moved from Governance.

Line 361b – Undetermined GC 2018 Resolutions – in red - At the suggestion of Program, Budget & Finance at the close of the last budget process, the 2019-2021 budget holds back some expense dollars to fund resolutions at the 2018 General Convention. In prior years many resolutions with funding implications that were not already included in the budget went unfunded. Some of these funds could be used for Prayer Book revision. A similar set aside is found in Line 298 under Governance, House of Deputies, Staff costs to cover a salary for the President of the House of Deputies should one be approved by the General convention

Staff- all staff lines include a 3% raise each year and estimate 9% increases in health insurance costs. The Presiding Bishop has expressed his satisfaction with the size of the staff in place and asks that there be no new hires in the 2019-2021 budget.

Evangelism, page 3

Line 27a - Funds for Mission Enterprise Zones, New Church Starts and Congregational Redevelopment reduced by \$1m while funding for some of the Line 28 Expanded Evangelism is now funded from assessments and 5% draw as opposed to from a special draw reserves as it was in this triennium.

Staff Costs – Staff were moved into this area.

Reconciliation and Justice, page 6

All Ethnic Ministries, Historically Black Colleges and Universities, and UTO are included in this area.

Creation Care, page 15

Line 121c – Other Grants – increased by \$200,000

Staff Costs – staff hire requested; no new hires in the budget

Ministry of the Presiding Bishop to Church and World, page 17

FFM is still working with the PB's Office on some of these lines.

Line 277 – Title IV reduced to \$600k

Navajoland – new item – as an Area Mission comes under the PB and House of Bishops. \$800k to support the office of the Navajoland bishop.

Mission Inside the Church, page 19

Communications Department still under review. This draft asks the department to make \$750k in cuts.

Mission Beyond the Church, page 28

This area is basically level funded. Some staff shifting.

Mission Governance, page 34

General Convention Office, Line 281a – Interim Bodies – funds for task forces and Interim Bodies to meet and communicate during the triennium. Combo 301 & 283 – technology and virtual binders for GC. Cost savings over paper and copying. Translation services for in person interpretation and written translations for Interim Bodies, General Convention, and Executive Council are combined in one line.

House of Deputies, Line 298 – Staff Costs include \$900,000 for salary and benefits for the President of the House of Deputies to be sure funds are available should the salary be voted by GC. Exact figures are still under review by FFM and HR. Continued from the 2018 budget revision is a retainer for the Chancellor to the President of the House of Deputies.

Mission Finance , Legal, and Operations, Page, 38

Development Office – has been asked to find \$500,000 in savings; still in conversation with FFM. Legal – Title IV has been moved to the PB Ministry section. Newly hired Interim Chief Legal Officer will help contain legal costs over the triennium.

- Next steps
 1. FFM invites your feedback about what's in the budget, or missing, and suggestions about how to close the deficit and on the budget format.
<https://www.surveymonkey.com/r/BudgetComments>
Please submit your responses by January 10, 2018.
 2. FFM will rework and present a draft budget to Executive Council at its January 22-24, 2018 meeting. Executive Council acts on the proposed budget.
 3. Executive Council turns its budget over to PB&F at its February meeting and posts the budget for further public comment which will be collected by PB&F.
 4. PB&F convenes at General Convention to conduct hearings, receive resolutions, adjust the budget, and present a budget for General Convention's action.