



CT Budget Advisory Team Report

How the Budget is Shaped

The quadrennial budget for The United Methodist Church is shaped by a formula that roughly includes the base percentage rate multiplied by local church net expenditures and results in the amount apportioned to the annual conferences. This formula has been determined by GCFA per their disciplinary mandate in ¶806.3c .

The General Conference sets the base percentage rate. It is the only part of the formula for the budget upon which delegates vote. Local church net expenditures are projected by GCFA. Because of disaffiliations, GCFA is currently projecting an approximate 21% reduction in local church net expenditures. The base percentage rate multiplied by the local church net expenditures determines how much the annual conferences are apportioned to support the general church budget.

Rationale for the CT's Recommendation on the Base Percentage Rate

The CT's purpose is to discern and articulate the vision for The United Methodist Church. Our role is to steward the mission, ministries and resources of our denomination. In this time of significant change, we believe that our church has a decision to make. Will we be reactive and allow the realities of disaffiliation to set the tone and vision for the future of our church? Or will we be visionary, and have creative conversations about where God is calling us?

Because, we do not believe that vision and financial reality are mutually exclusive, we make the following affirmations as a rationale for our recommendation on the base percentage rate:

OUR IDENTITY

- We recognize that the setting of budgets is never just about numbers. It is also about values. An approach that continually reduces the budget for our connectional ministries beyond the point of viability is expressing a set of values. Often the reasons we hear are about keeping funds at the local church. That is important, but again, we have a decision to make. Do we value connectional ministry, or is our intent to move toward a more congregational model? This is fundamentally a question about our identity.
- We believe that those who are staying within The United Methodist Church are committed to our identity as a connectional church. This is evidenced in collection rate patterns. For instance, in the midst of a pandemic and disruption due to disaffiliations, we have been seeing consistent collection rates for the Episcopal Fund in the 90's.
- We claim our connectionalism and believe that as we reconfigure and refocus our church for a new age, we will still need connectional ministry.

OUR VALUES, VISION AND MISSION

- We affirm a values-based approach that is vision and mission directed and consistent with the values we have previously articulated in our budget allocations process. Those values include the mission of the UMC, our missional priorities, emerging missional priorities, stewardship, fairness and transparency.
- We will continue to ask the question about what kind of church we want and about where God is calling us. Vision should be the driving force for any budget.
- We must face financial reality, but not in a spirit of fear or with an attitude of scarcity. We must continue to challenge narratives of scarcity as the driving force for the future of our church. Narratives of scarcity, by implication, suggest that The United Methodist Church has no future except decline. We reject this narrative.
- We recognize that already, over the last six quadrennia, the base percentage rate has declined by 40%. We raise the question here, as to whether the church's intention is to lower the base percentage rate until it is zero. To the contrary, we believe that, for effective ministry, at some point the base percentage must stabilize.
- We realize, with the Apportionment Sustainability Task Force, that some of our annual conferences are paying apportionments out of reserves. This is not sustainable and must change. However, we believe that their recommended 25% reduction in the base rate would be unwise due to the considerations we have named. Note that due to a projected reduction in local church net expenditures of 21%, a 25% reduction in the base rate would be an effective reduction in the budget of between 43.2- 45% (cf. GCFA slide 26). We believe that such a reduction would harm our ability to move into the future with hope.
- Further, the Apportionment Sustainability Task Force listed the following rationale for their recommendations. As noted in the report:

"We continue to recommend a reduction in general Church apportionment support of 25% by reducing the base percentage approved by the 2016 General Conference. A 25% reduction:

- *Causes us to imagine and dream about what the church of the 21st century is all about.*
- *Creates a more flexible and nimble system and ushers in a new paradigm.*
- *Recalibrates the connection and encourages collaboration at the general Church level.*

Agencies, funds and related ministries supported by general Church apportioned funds would recalibrate by identifying reductions to budgets."

We believe that many of the reasons that they articulate have already been accomplished through changes over the last three years in the general agencies in particular. These have included significant staff cuts and internal reorganization. In addition, the agencies are currently engaging significant conversations about restructure beyond internal changes and making significant efforts at collaboration, including the sharing of staff costs.

OUR RECOMMENDATION

Therefore, we recommend a reduction in the base percentage rate of 18%. This is the same recommendation made and passed by the CT and GCFA in the preparation of the budget that would have been presented at the 2020 General Conference had it not been postponed. However, because of disaffiliations, this 18% reduction will have a much greater impact.

Specifically:

- The last reduction of 18% in the base rate was an effective reduction of 23% because the Episcopal Fund and the General Administration Fund were taken off the top, leaving the reduction to be disproportionately born by the World Service funded agencies, the Black College Fund, MEF, the Interdenominational Cooperation Fund, and Africa University.
- In the current modeling, due to disaffiliations and the projected 21% reduction in local church net expenditures, an 18% reduction in the base rate will be an effective 38.2% reduction in the budget for the general church, inclusive of the General Administration Fund. This would be the case if the Episcopal Fund is taken off of the top. If the Episcopal Fund also bears a reduction of 5-10%, this 18% recommended reduction could be in the range of an effective 36.4-37.3% reduction, (cf. GCFA slide 26).

Motion on the Base Percentage Rate

Therefore, we move that the Connectional Table, in fulfilling its mandate in the Book of Discipline, ¶905.7a, “To collaborate with the General Council on Finance and Administration in the preparation of budgets for the apportioned funds as provided for in ¶¶806.1 and 810.1,” recommend an 18% reduction in the base percentage rate for the 2025-2028 quadrennium, and that this recommendation be included in the budget reports to the General Conference. We direct the CT members of the Budget Advisory Team to present this recommendation to GCFA for consideration at their November 17-18 full board meeting in Nashville.