

3. Task Force Sub-Reports

3.1. Scriptural Foundations of Stewardship, Justice, and Equity

In Bishop Sauls' address to Convention in February 2001, he called us to reevaluate our financial and missionary priorities in light of the Gospel mandate "to bring good news to the poor... to proclaim release to the captives and recovery of sight to the blind, to let the oppressed go free, to proclaim the year of the Lord's favor (Luke 4:16-21; all scripture quotations are New Revised Standard Version, unless otherwise noted). Our current method for funding diocesan mission "is not working" (Bishop Sauls' Address to 105th Diocesan Convention). It is commonly held that the current 30% expectation for diocesan giving by congregations is widely seen as unrealistic, and this expectation is often ignored; however, many are in agreement that our diocese needs more income from congregations in order to do the work of Christ to which we are called. The Mission Funding Task Force was established to creatively rethink our use of money for the work of Christ in this diocese.

Our work has been sustained by Biblical and theological principles. We have reflected on scripture, church history and tradition, and Episcopal polity. We do not presume to speak for the totality of the Anglican tradition, nor do we presume to set forth what scripture "says" we should do with our money; instead, we have drawn upon our experience as people of faith--and our reading of scripture and the prayer book--to develop what we hope is a faithful theology of mission funding.

By calling ourselves "Episcopalians" we make a statement about the importance of the office of Bishop, the Episcopate, to our common life. We also benefit from the structure of our denomination. We have access to educated clergy who in turn receive support and encouragement from our Bishop. We have recourse in times of difficulty. We can share resources and information in ways that purely congregational churches find much more difficult. Every hour, around the world, we can rest in the knowledge that our brother and sister Anglicans are interceding with and for us, and us with and for them. During the September 11 time of national crisis, for example, we can know that institutions such as the Seamen's Church Institute provided direct ministry to workers in New York City when we ourselves could not. All of this is made possible through our Episcopal structure, and it is of great value to us all.

3.1.1. Scriptural and Theological Background

To be a Christian is to give of our time, talent and treasure for the work of Christ (Catechism, BCP). We cannot grow spiritually in isolation, and we are accountable to one another for the use of our resources, individually as well as corporately. Christian stewardship is both personal and corporate.

In the early Christian church, the relevant community was the local body of believers. In Acts 4:32-37 we see the Christian community's giving standard at its absolute best: "Now the whole group of those who believed were of one heart and soul, and no one claimed private ownership of any possessions, but everything they owned was held in common... There was not a needy person among them, for as many as owned lands or houses sold them and brought the proceeds of what was sold. They laid it at the apostles' feet, and it was distributed to each as any had need..." We see this level of

Christian giving/living today within monastic communities and in some isolated communal living situations, but those situations are rare.

This model for corporate giving between communities is, however, relevant for the task before us: it guides us as to how the local churches might fund the Diocese. Paul sets forth, by example, his model of one body of believers lending assistance to another. The context of his writing is the enormous poverty and deprivation of the Christians in Jerusalem, who are being systematically persecuted by both the Romans and the Jews. While on his missionary journeys in Macedonia and Achaia (Greece), Paul had been collecting money for the relief of the Christians in Jerusalem. In letters to the church in Rome (Romans 15:25-27) and to the church in Corinth (II Corinthians 8:1-15) Paul tells of his mission. He offers the Macedonians as examples of generosity, provides theological justification for the ministry of giving, and encourages further giving from the churches in Corinth. In clear and precise terminology, Paul instructs the Corinthians to give in a way that is systematic and proportionate: "Now concerning the collection for the saints: you should follow the directions I gave to the churches of Galatia. On the first day of every week, each of you is to put aside and save whatever extra you earn, so that collections need not be taken when I come. And when I arrive, I will send any whom you approve with letters to take your gift to Jerusalem. If it seems advisable that I should go also, they will accompany me" (I Corinthians 16:1-4). Accordingly, our giving should also be disciplined and proportionate.

Why do we give? We give because we need to give. In giving, we emulate Christ, who gave everything for us. We learn to rely on God instead of solely on our own planning. Our faith is strengthened when we sacrifice for the good of the Church and for those in greater material need than ourselves.

Paul begins the two chapters of II Corinthians 8 and 9 with the statement that all giving has as its foundation the Grace of God. And these blessings of God are always given freely, never earned by us. Their discipleship of the Macedonian Christians had cost them dearly. They were truly poor in a material sense. They were also persecuted for their faith. Despite these limitations, or perhaps because of them, they were spiritually very powerful. Instead of focusing on how little they had, they were able to focus on God's generosity and as a result gave freely with a sense of gratitude. With integrity, they sought to serve Christ in all things. Their money was part of their spiritual worship. We see in their response the root of Christian stewardship -- committed lives of faith. Our stewardship reflects who we are perhaps more than any other single character attribute.

The paradox of Christian use of money is that, while we are called upon to give in a generous and even sacrificial way, we are not to judge one another upon the basis of financial or social standing. "In Christ, there is neither Jew nor Greek, slave nor free, male nor female..." (Galatians 3:28ff). In our baptism, we are equals before Christ. We are loved by God and are essential to the work of the Kingdom because of our relationship to God, not because of our earning potential or the size of our bank accounts. This holds true for congregations as well as for individuals. The smaller dollar amount of the smaller congregation's giving is valued the same as the equally sacrificial offering of the more affluent or larger church.

3.1.2. Conclusions: Tithing -- A Minimum

Our financial offerings need to be disciplined and proportional. Through such giving, we make tangible our belief that God will provide for us generously. A ten percent tithe would have been a minimal expectation of devout Jewish people in Jesus' time, and

is a fair minimal expectation of Christian individuals and communities today. Individual giving funds parish and diocesan work. Preaching, teaching, and conversation about the essential role of personal stewardship to Christian discipleship is to be encouraged on every level. Restricted giving on any level obscures the fact that all giving is and should be an act of faith. All our gifts should be used for the good of the whole, and are ideally utilized in ways that allow for openness and accountability.

3.1.3. Debt Reduction and Disproportionate Assessment

Excessive debt is a hindrance to the mission of the church, and should be avoided. Small congregations should not have to accrue disproportionate debt to further the mission goals of the diocese. With the concept of Jubilee, the Hebrew Scriptures set forth a model for debt reduction. Every 50th year was consecrated as a new beginning. Prodigals were to return home, debts were to be forgiven, and land was to be returned to its original owners (Leviticus 25:8-54).

God commanded believers to be generous with their most valuable resource, their land. The land was to remain fallow every seventh year, to rest from planting so that “the poor among you may get food from it, and the wild animals may eat what they leave.” The people of Israel were told to “do the same with your vineyard and olive grove” (Exodus 23:10-11; see also above). The crops from previous years, they were assured, would be sufficient to carry them through this year of rest.

We are called to fund our ministry with similar generosity and trust. Mission must be funded in such a way that all congregations bear a proportionate burden for their continuance. Any diocesan policy for mission funding should provide incentive for extremely generous giving for the good of the whole and should not unduly burden congregations working toward financial self-sufficiency.

Our work as a task force has been permeated by discussions of “fairness” and “justice”. By fairness, we mean fair play or observance of commonly understood rules of action. Justice, for us, has been the more profound concept. Justice is founded in the nature of God, whom we are told in scripture has special regard for the poor and the oppressed. Our responses to God are to attest to this characteristic of God. Not everyone will benefit materially from a just response to God’s command; such a response will often mean that the more richly endowed will bear a greater part of the financial burden for mission. Undergirding our mandate to be just in our dealings and fair in our response is Jesus’ command for us to love one another. All of our actions should be based in love, in thanksgiving, and in praise to the Giver of all good gifts.

3.2. Equity and Fairness: Conceptual Considerations

All MFTF members believed that funding must be fair in both appearance and fact. Fairness is, however, a complex, multi-faceted concept that is influenced by the perspective of individual’s beliefs. MFTF members determined that funding the Diocese of Lexington closely parallels the secular world’s approach to funding its governing bodies through taxation, and that the concept of fairness is in fact well articulated in the law of taxation and well known, though possibly disagreed upon, by most parishioners. Accordingly, MFTF members reviewed principles of fairness in the tax law to begin a conceptual framework by which it could analyze alternative funding methodologies for the Diocese. Upon that framework, MFTF members then overlaid the scriptural commands of treating our fellow parishioners and parishes fairly. As equals then, all parishes would feel

less hesitancy to buy into and participate in the programs of the Diocese, thereby strengthening and enriching the communal fabric of the Diocese.

3.2.1. Purpose Of Funding/Fund Raising/Taxation

Initially, MFTF members believed that the purpose of funding was simply to raise an adequate amount of revenue in an efficient manner whereby the Diocese of Lexington could operate at the level it desired. If this purpose were in fact so straightforward, then the purpose of the MFTF was simply to determine the most financially efficient manner in which to raise the desired revenue. Careful review indicated, however, that raising revenue was not the only purpose.

A fundamental, albeit subtle, principle cannot be ignored: Whatever funding methodology is chosen cannot create any impression that the level of a parish's financial contribution elevates or denigrates that parish relative to the level of any other parish's financial contribution. Instead, a funding method that is fair recognizes the equal sacrifice of all parishes (e.g., Jesus' story of the widow offering her final two pence). Thus, if all parishes support and comply with the new funding methodology, all parishes will stand as equals within the Diocese of Lexington.

In sum, although the funding methodology must in fact raise the revenue to that level at which the parishioners in the Diocese desire to operate, that methodology must treat each supporting parish as an equal partner with all other supporting parishes.

3.2.2. Theoretical Approaches To Funding

Through the centuries of debate about the proper basis upon which taxes may be imposed, two schools of fundamental thought have developed: benefit taxation and taxation in accordance with ability to pay. Proponents of each school assert that taxes may be "fairly" imposed if these principles are followed.

3.2.2.1. Benefit Taxation

Benefit taxation states simply that to the degree benefits are provided, recipients of those benefits should pay for those benefits; correspondingly, those who do not receive the benefits should not be expected to contribute to the providing of those benefits. User fees are a common example of benefit taxation. User fees are frequently imposed for the use of certain highways, parks, recreational facilities such as lakes and swimming pools.

Benefit taxation assumes that all benefits may be quantified into a monetary unit and that the users of such benefits can be readily identified when collection of the tax must be made. Clearly, benefits taxation works when the benefit is discrete and flows directly to an individual beneficiary. However, when the benefit flows generally to a large group of dissimilar individuals, quantification is nigh impossible and tracing for purposes of collection is often not possible. Another fundamental problem is that with regard to basic services such as national defense, benefits taxation falls heavier on those with smaller disposable incomes.

3.2.2.2. Taxation in Accordance with Ability to Pay

On the other hand, taxation in accordance with ability to pay imposes higher taxes on those who have the greater ability to pay such taxes. The theoretical construct for this school is that those who have a greater ability to pay are succeeding or thriving within the system, hence benefiting from the system more than those who have less ability to pay. For example, an individual earning \$200,000 per year benefits more from the political,

economic, and cultural system than does an individual earning minimum wage. Therefore, because the individual with higher earnings has more ability to pay taxes than does the individual with lesser earnings, it is fair for the individual with higher earnings to pay more taxes--in terms of both gross dollars and percentage of tax--than the individual with lesser earnings.

The most common example of taxation in accordance with ability to pay is a tax with a progressive rate structure. Under progressive rate taxes, as the level of income or receipt increases, so does the percentage rate of the tax. Income taxes, both corporate and individual, frequently utilize progressive rates. Certain excise taxes also utilize progressive rates. The United States Supreme Court has upheld the constitutionality of a progressive rate tax.

A problem with ability to pay is determining what encompasses ability to pay. Should ability to pay include only current income or should current wealth also be included? Moreover, utilization of taxation based on ability to pay tends to ignore the political reality that those with the most ability are able to influence a system's decision makers whereby the interest of those with the more ability is protected, and often to the exclusion of those with less ability to pay.

3.2.3. Applicability Of Tax Principles

At this point, MFTF members questioned the applicability of principles of taxation--secular principles--to this work for the Kingdom of God for which the benefits cannot by design be tangible and may well pertain to another world. Relatively quickly, however, MFTF members reoriented themselves to the task assigned them--to determine a fair and equitable method of raising revenue from parishes by which the Diocese of Lexington may operate. Thus, tax principles of fairness are directly applicable.

3.2.4. Types Of Taxes

As MFTF began to decide which methodology it might recommend, as a point of reference a list was developed of the various types of taxes presently employed by secular taxing authorities. That list included:

1. Gross Receipts/Excise/Sales/Value-added
2. Net Worth or Wealth
3. Head or Poll
4. Consumption or Cash Flow
5. Flat Rate Income
6. Progressive Rate Income (with multiple deductions based on policy considerations)

As the MFTF members began to focus on the selection of a funding methodology, they reviewed the most widely utilized tax employed secularly--the income tax. Particularly, the MFTF members identified three problems of the income tax that they wanted to avoid in their selection. First, the broader the tax base, the lower the rate of taxation must be. Furthermore, the less differentiation between types of income, the more likely more individuals will not pay their fair share. Finally, an income tax necessarily allows deductions to be taken against gross income. Therefore, the question rises almost correspondingly whether these deductions are valid, both conceptually and as applied by each taxpayer.

Complexity is a two-edged sword. A simple income tax is a crude income tax that will of necessity treat dissimilar parishes similarly, which is the definition of unfairness. On the other hand, unless parishes can understand how the funding methodology works, they will not believe it is fair and will not comply with the funding requests.

3.2.5. Concluding Observations

1. MFTF members reviewed principles of fairness for a workable framework, and laid upon them the scriptural command to treat individuals and parishes fairly.
2. We explored the theory of taxation, types of taxation and the problems arising from alternatives.
3. We recognized that raising an adequate level of revenue efficiently is not the sole purpose of funding the Diocese. Instead, a successful process must also recognize each parish's equal sacrifice, so that all parishes stand as equals within the Diocese of Lexington.
4. No system of funding the Diocese will yield complete purity.

3.3. External Analysis: Survey Conducted by the Diocese of Indianapolis

Early in our process, the MFTF obtained from the Diocese of Indianapolis copies of responses to a survey they had recently done on diocesan funding. They had generated only seven responses from their survey. Budgets of the surveyed dioceses ranged from \$670,000 (Idaho) to \$3,887,000 (Virginia). Only one of the seven dioceses had a tiered (sliding scale) contribution formula, with a maximum contribution of 16%. Four of the surveyed dioceses imposed fixed assessments on parishes. These assessments ranged from 10% (San Diego) to 25% (Hawaii) of operating revenues. Five of the seven dioceses stipulated the loss of convention votes for the parish as a penalty for failing to meet minimum funding requirements. The seven dioceses have diverse processes to educate various constituents on the contents of their diocesan budget.

3.4. External Analysis: MFTF Survey of External Diocesan Funding

In July 2001 the Mission Funding Task Force mailed questionnaires to 25 Episcopal dioceses soliciting data related to the funding of their diocese. The 25 dioceses surveyed were chosen based on their similarity to the Diocese of Lexington in geographical location, size of budget, or demographics. A copy of the questionnaire is enclosed as Appendix C. We received responses from eighteen dioceses, including the Diocese of Lexington. A summary of the responses is also enclosed, as Appendix D. We dropped two of the responding dioceses, Southern Ohio and Indianapolis, because they are so heavily endowed.

Of the remaining sixteen dioceses, six have tiered (progressive) contribution formulas (the expected contribution percentage is greater for parishes with higher incomes), and ten have contribution goals (all parishes have the same contribution percentage goal regardless of the size of parish income). All six of the dioceses with tiered contribution formulas report that their diocesan leadership believes the program is working satisfactorily. Of the ten dioceses with a contribution goal, five report that it is working satisfactorily and five report it is not working satisfactorily. This latter group includes South Carolina, which reports that their system is working satisfactorily, except too many

parishes give under the 10% goal. Those five dioceses that report satisfactory results have contribution goals that range from 10% to 18.5%.

The tiered formulas have been in place from one to seven years. The contribution goals have been in place from five plus years to “forever” (all but one have been in place for over ten years). Three of the tiered programs are voluntary, and three are mandatory. Seven of the contribution goal programs are voluntary, and three are mandatory. One of the tiered program dioceses has a diocesan reserve fund to help parishes with special problems meet their pledge to the diocese. Finally, two of the tiered program dioceses respond to parishes that are in arrears by withholding their convention vote, two have no response, and two did not answer the question. One of the contribution goal program dioceses responds to parishes that are in arrears by withholding their convention vote, eight respond with pressure or not at all, and one did not answer the question.

3.5. Comparative Analysis: National and Provincial Data

There are 100 Episcopal dioceses in the United States, geographically located in eight provinces. The Diocese of Lexington is in Province IV, which includes twenty dioceses located in the southern (primarily southeastern) United States. The Diocese of Lexington is closely linked to the Diocese of Kentucky, which is headquartered in Louisville and includes the western half of the state.

3.5.1. The Diocese of Lexington Compared to Other Dioceses in Province IV

In terms of both operating revenue and average attendance, the Diocese of Lexington is the smallest diocese in Province IV (see Table 1). The Diocese of Kentucky is the second smallest in each category (1999 data). In spite of being the smallest diocese in the province, the Diocese of Lexington ranks first in terms of the ratio of its parishes’ contributions to the diocese relative to their total operating revenue. We will have more to say about that later.

3.5.2. The Diocese of Lexington Compared to Other Dioceses Nationwide

With respect to all 100 dioceses in the United States, the Diocese of Kentucky and the Diocese of Lexington rank 74th and 76th, respectively, in operating revenue, and 76th and 78th in average attendance. As with the Province IV data noted above, however, the Diocese of Lexington ranked very high (21) with respect to the ratio of its parishes’ contributions to the diocese relative to their total operating revenue (see Table 2). The Diocese of Kentucky was slightly above the national average on this ratio. There is a significant negative relationship between the size of the diocese (either revenue or attendance) and the ratio of parish contributions to the diocese relative to total operating revenue within the national Episcopal Church, as shown on the chart on the following page.

Two explanations are readily apparent for this phenomenon. First, there are certain overhead expenses associated with being a diocese of any size. That is, there are expenditures that are necessary for the administrative structure within any diocese, large or small, to fund the bishop and to oversee the parishes. Second, some dioceses have substantial financial endowments that fund a large chunk of diocesan expenditures, rendering parish contributions to diocesan expenditures less onerous. Both of these factors -- that there are necessary overhead expenses and that the value of endowments within the Diocese is quite modest -- adversely affect the Diocese of Lexington.

Table 1. Revenue and Attendance Data for Dioceses in Province IV (1999)

Diocese	Operating Revenue (1)	Contributions to Diocese (2)	Ratio ((2)/(1))	Average Attendance
Atlanta	\$32,769,765	\$2,489,815	7.6	17,405
North Carolina	\$28,217,229	\$3,041,702	10.8	15,713
Southwest Florida	\$23,151,939	\$2,461,398	10.6	17,632
Alabama	\$22,572,301	\$2,111,561	9.4	11,614
Central Florida	\$20,952,799	\$1,792,304	8.6	16,925
South Carolina	\$19,780,595	\$1,587,045	8.0	11,688
Florida	\$18,803,201	\$1,951,268	10.4	11,898
Southeast Florida	\$17,714,877	\$2,201,371	12.4	15,034
Upper South Carolina	\$16,786,845	\$2,328,019	13.9	9,278
Central Gulf Coast	\$15,820,468	\$1,563,536	9.9	8,370
Mississippi	\$11,795,601	\$1,541,324	13.1	8,105
Georgia	\$11,736,813	\$1,383,558	11.8	7,208
East Tennessee	\$11,592,578	\$1,218,616	10.5	6,174
East Carolina	\$10,936,169	\$1,315,251	12.0	7,185
Louisiana	\$10,389,055	\$912,934	8.8	6,181
Western North Carolina	\$10,150,967	\$908,201	9.0	6,904
Tennessee	\$9,397,214	\$884,347	9.4	4,587
West Tennessee	\$8,164,700	\$787,351	9.6	4,177
Kentucky	\$6,598,724	\$840,764	12.7	3,955
Lexington	\$6,397,229	\$972,638	15.2	3,818
Average	\$15,686,453	\$1,614,650	10.7	9,693
Median	\$13,808,035	\$1,552,430	10.4	8,238
Maximum	\$32,769,765	\$3,041,702	15.2	17,632
Minimum	\$6,397,229	\$787,351	7.6	3,818

Table 2. National Statistics (Attendance and Revenue) for all 100 Dioceses (1999)

Data / Information	Average Attendance	Operating Revenue (1)	Contributions To Diocese (2)	Ratio ((2)/(1))	Parish Contribution Rank (N=100)
Average	8,380	\$13,067,430	\$1,471,700	12.6	
Median	6,477	\$9,268,498	\$1,146,814	12.2	
Maximum	29,910	\$50,721,876	\$7,123,898	26.6	
Minimum	271	\$391,390	\$5,325	1.4	
Lexington	3,818	\$6,397,229	\$972,638	15.2	21
Kentucky	3,955	\$6,598,724	\$840,764	12.7	46

3.5.3. Attendance and Revenues in the Diocese of Lexington

There are 38 parishes in the Diocese of Lexington (plus The Close). Average Sunday attendance in the Diocese is 3677, out of a reported membership of 9288 (using 1999 data throughout in this paragraph). Average Sunday attendance for the parishes in the Diocese ranges from less than a dozen to more than 400. Nearly 60 percent of the Sunday attendance in the Diocese comes from the 14 parishes in Lexington / Fayette County and the adjacent counties. Another seventeen percent comes from the five parishes in the three urban counties of Northern Kentucky, while the remaining 24 percent is scattered throughout the rest of the Diocese in nineteen parishes. Average Sunday attendance is 155 in the Lexington grouping, 126 in Northern Kentucky, and 46 in the rest.

Annual operating revenue within the parishes in 1999 ranged from less than \$10,000 to more than \$1 million. The total operating revenue for all the parishes in the Diocese was \$6.4 million, of which 15.2 percent (\$972,638) was contributed to the Diocese. The average contribution from the parishes to the Diocese, as a percentage of their operating revenue, was 13.7 percent, ranging from a high of 31 percent to a low of 4 percent. The average annual contribution per Sunday attendee throughout the Diocese was \$1740. The average across parishes was \$1549, ranging from a high of \$3482 to a low of \$305.