

4. Alternatives Considered and Task Force Recommendations

Bishop Sauls charged the Mission Funding Task Force to consider alternative funding mechanisms for how the Diocese of Lexington can best be funded through its parishes. Accordingly, we first looked at the current level of parish contributions to the Diocese. The current canonical standard of giving in the Diocese is a thirty percent asking of all parishes out of their "canonical income". Canonical income is defined as all income as to which the Vestry of a Parish or the Bishop's Committee of a Mission shall have unrestricted power of distribution or expenditure" (Canon 28.02). The standard is an asking, not a requirement, and there is no penalty for noncompliance. Many parishioners in the Diocese have felt for many years that the current formula has not been working. There have been at least three reviews of the standard, but the standard has remained unchanged.

As noted in a prior section, dioceses that we surveyed who have changed their funding structures in recent years have mostly moved to a "tiered" structure. The essence of a tiered structure is that larger, wealthier parishes within a diocese contribute a proportionately larger amount of their operating revenue than smaller, poorer parishes. Our current structure, by contrast, is a "flat" structure. All parishes are asked to contribute a flat thirty percent, regardless of their size or financial situation. In the next section we will look at the funding potential for two different types of tiered structures -- a "fixed tier" and a "rising tier".

Both the fixed tier and the rising tier structures are progressive assessment mechanisms. The fixed tier is a "one rate per parish" structure, in which parishes with greater operating revenues contribute a higher percentage of their operating revenue, but there is only one assessment rate per parish. In other words, a parish at one level of operating revenue will be assessed at one rate, while a parish with a higher operating revenue will be assessed at a higher rate. The rising tier is a "multiple rates per parish" structure: lower levels of operating revenue are assessed at one rate for all parishes, but higher levels of operating revenue are assessed at higher rates. However, only the revenue above the "breakpoint" is assessed at the higher rate. The numbers presented below will shed more light on these alternative structures.

4.1. Alternative Structures Considered

The MFTF discussed a number of possibilities for how the parishes might fund the diocese, including a flat assessment structure and the two-tiered structures discussed above. We also requested and received an electronic transmission of Parish Report data for the Diocese of Lexington for 1998, 1999, and 2000. We then applied the alternative structures to the operating revenue data for these three years in order to see what level of parish assessment would have been required to generate various levels of diocesan funding. We used operating revenue as the base for assessment because all parishes must report their operating revenue when they fill out their Parish Reports. It is thus both consistent and available. Operating revenue includes plate offerings, pledge payments and regular support; income from investments that is available for operations; unrestricted bequests used for operations; other operating income, including unrestricted gifts and restricted gifts used for operations, and contributions from congregation's organizations; and assistance from the diocese for the operating budget.

Because the Task Force strongly supports a tiered assessment structure, we do not elaborate any further on the merits of a proportional (flat) assessment structure. We

simply report that an assessment rate of 16 percent applied to parish operating revenue would have generated \$982,265 in 1998; \$1,023,557 in 1999; and \$1,040,077 in 2000. Recall from above that 1999 diocesan revenue received from the parishes was 15.2 percent of operating revenue -- not too far off the mark. However, that 0.8 percent shortfall translates to approximately \$50,000 in diocesan revenue.

4.1.1. Tiered Assessments

The members of the Task Force are in hearty agreement on a number of items as they considered alternative tiered assessment schemes:

1. First, we agreed on the **tithe** as a parish minimum. Although needy parishes may occasionally need a subsidy from the Diocese after contributing a minimum of ten percent of their operating revenue, we felt that the Biblical standard provided a good foundation for both personal and corporate giving.
2. Second, the Task Force agreed that **no isolation** of individual parishes -- at either the top or the bottom -- is acceptable. That is, as we considered various assessment rates and breakpoints we consistently required that the top and bottom operating revenue brackets always included at least two parishes, with three or more strongly preferred. Both of the alternative proposals we present below include four parishes at the top bracket and ten or more in the bottom bracket.
3. Third, we tried to maintain **simplicity, consistency and order** in assessment rates and breakpoints. All the rates are whole numbers (no decimals), with higher assessment rates increasing at equal increments. Likewise, all the bracket breakpoints are at \$100,000 multiples.
4. Finally, we agreed on the need for **transition** mechanisms as parishes moved to higher brackets and assessment rates.

We next present plausible assessment rates and brackets for the fixed and rising tiers. We report assessment levels and breakpoints that would have generated revenue of approximately \$1 million for each of the tiered schemes. Although the tables report operating revenues in \$50,000 increments, all brackets are at \$100,000 multiples.

4.1.2. Fixed Tier

The alternative presented in Table 3 would have generated just over \$1 million in Diocesan revenue if it had been applied to parish operating revenue in 2000. Breakpoint revenues are at \$100,000 and \$300,000. The assessment rates begin at ten percent and increase by four percentage points as new breakpoint revenues are obtained. The numbers in the revenue column indicate the amount of revenue generated for the diocese from all parishes whose operating revenue is at the level listed in the operating revenue column to the left.

Although the fixed tier structure is attractive for its simplicity, it does have one major shortcoming -- when parishes move to a higher breakpoint revenue. For example, when parish operating revenue rises from \$300,000 to \$301,000, the contribution assessment rises from \$42,000 to \$54,180 -- a \$12,180 assessment increase associated with a \$1,000 operating revenue increase. We propose to alleviate this problem with a transition scheme that has four years of stepwise increments, one percentage point per year, until the parish has attained to the higher assessment rate.

4.1.3. Rising Tier

The "rising tier" structure is presented as Table 4. These assessment rates and breakpoints would also have generated just over \$1 million in diocesan revenue in 2000. The assessment rate on the lowest levels of operating revenue is 12 percent, somewhat higher than the fixed tier reported above. The reason for the higher assessment rate at the lower levels is that all parishes have their first \$100,000 of operating revenue assessed at this lower rate, thereby reducing the amount of operating revenue subject to higher assessment rates at higher operating revenue brackets. Thus, higher rates are needed for

Table 3. Fixed Tier Assessments Generating \$1 Million in Revenue

"Fixed Tier" One Rate per Parish	Operating Revenue	Assessment Rate (%)	---Revenue---		
			1998	1999	2000
	\$50,000	10	\$37,260	\$40,266	\$30,981
	\$50-\$100	10	\$36,989	\$33,029	\$49,836
	\$100-\$150	14	\$53,281	\$87,538	\$19,102
	\$150-\$200	14	\$99,303	\$71,124	\$113,636
	\$200-\$250	14	\$61,164	\$100,069	\$33,614
	\$250-\$300	14	\$153,943	\$35,584	\$75,507
	\$300-\$350	18	\$112,643	\$172,748	\$175,565
	\$350-\$400	18	\$0	\$0	\$66,574
	\$400-\$450	18	\$74,368	\$155,904	\$0
	\$450-\$500	18	\$0	\$0	\$175,373
	>\$500,000	18	\$311,644	\$312,515	\$296,142
	Total		\$940,595	\$1,008,776	\$1,036,330

Table 4. Rising Tier Assessments Generating \$1 Million in Revenue

"Rising Tier" Multiple Rates per Parish	Operating Revenue	Assessment Rate (%)	---Revenue---		
			1998	1999	2000
	\$50,000	12	\$182,712	\$192,319	\$181,177
	\$50-\$100	12	\$122,386	\$123,634	\$119,803
	\$100-\$150	15	\$124,587	\$123,790	\$125,466
	\$150-\$200	15	\$98,896	\$91,205	\$91,753
	\$200-\$250	18	\$87,639	\$92,660	\$97,218
	\$250-\$300	18	\$62,927	\$63,751	\$79,081
	\$300-\$350	18	\$31,643	\$46,748	\$58,565
	\$350-\$400	18	\$27,000	\$36,000	\$39,574
	\$400-\$450	21	\$23,763	\$34,888	\$42,000
	\$450-\$500	21	\$21,000	\$21,000	\$36,601
	>\$500,000	21	\$153,585	\$154,601	\$135,499
	Total		\$936,138	\$980,596	\$1,006,738

the lower operating revenue brackets. To generate \$1 million in diocesan revenue, increments of three percentage points are applied to operating revenue breakpoints of \$100,000; \$200,000; and \$400,000.

An example may help to clarify the numbers. Suppose a parish has operating revenues of \$450,000. In order to generate \$1 million in revenue (using the rates and breakpoints in Table 4) this parish would be assessed at a 12 percent rate on its first \$100,000 of operating revenue (equal to \$12,000); at 15 percent on its second \$100,000 (an additional \$15,000); at 18 percent on its next \$200,000 (\$36,000); and at 21 percent on its last \$50,000 (\$10,500) of operating revenue, for a total contribution of \$73,500. Although this calculation may seem overly complex, this parish's assessment would be more simply stated as "For operating revenue in excess of \$400,000, assessed contribution will be \$63,000 plus 21 percent of the amount in excess of \$400,000."

4.2. Congregational Accountability

The evidence reviewed by the Task Force indicates that a majority of dioceses have established consequences on parishes that fail to meet their financial obligations to the Diocese. For example, five of the seven dioceses in the Diocese of Indianapolis survey imposed the loss of convention votes on parishes that failed to meet minimum funding requirements. In the survey conducted by the MFTF, three of the twelve respondents to this question withhold convention votes while seven indicated a stipulated action for parishes in arrears (e.g., petition executive Task Force, meet with standing Task Force, consult with Bishop).

The MFTF considered the issue of penalties for congregations in arrears and prayerfully agreed not to recommend such penalties. We encourage dialogue on the issue of penalties but do not make a recommendation on this issue.

4.3. Task Force Recommendations

We unanimously recommend the following to the Executive Council of the Diocese of Lexington:

1. That a "fixed tier" assessment structure be implemented and that the assessment rates and breakpoints presented in Table 3 above be used. Although the \$1 million diocesan revenue figure may seem somewhat arbitrary, it does reflect our perception of the level of parish contributions that would be needed to fund the current diocesan structure and programs at reasonable levels. We also offer two alternatives if Executive Council wishes to consider an additional \$100,000 in revenue. Parish contributions of \$1.1 million could have been achieved in 2000 (based on operating revenue data) by either (1) increasing each assessment rate for each operating revenue bracket by one percentage point, or (2) instituting a new breakpoint at \$500,000 with an assessment rate of 22 percent.
2. That parishes at a breakpoint (moving from one operating fund bracket to the next highest bracket) be granted a four-year transition period to move to the new assessment rate, increasing their assessment by one percentage point per year until they are at the new rate.

3. That Parish revenues be determined from the "Total Operating Revenue" line of the Parochial Report form.
4. That the Executive Council institute a three-year transition period for implementation of the new funding plan following adoption by Convention.
5. That the Executive Council appoint a diocesan body (under the Executive Council's authority) to oversee the transition period and make determinations as to exceptions and appeals.
6. That the Committee on Canons recommend and institute necessary changes to diocesan canons under the new funding plan.
7. That the new funding plan be reviewed after 3 years.

4.4. Impact on Individual Parishes

What would have been the impact on individual parishes had our proposed structure been in place the past two years? It is important to look at the past two years, in that the year 2000 was a difficult year for the Diocese of Lexington financially, with contributions from the parishes down \$100,000 from the previous year. Those results are presented in Table 5 on the next page.

The first two columns contain data on Operating Revenue within the parishes of the Diocese 1999 and 2000. These data were obtained electronically from the National Episcopal Center and in some cases may be at odds with parish or diocesan records if parish reports were filed late or were later amended. The second set of columns contains actual contributions from the parishes to the Diocese of Lexington. The third set of columns contains the assessments that would have been asked for each of the parishes for each of these years. The fourth set of columns is the difference between the assessment and the contribution in each of these years. A negative number (denoted by parentheses) indicates that the assessment is greater than the contribution.

Individual parish impacts can be read horizontally across the rows of the table. Our focus will be mostly on the bottom line of the columns. The 1999 results indicate that the amount that would have been assessed on the parishes is greater than the sum of the actual contributions by \$36,138, which is less than four percent of total contributions. The 2000 contributions, unfortunately, fall \$163,614 short of the assessed level, an amount equal to almost twenty percent of total contributions. This result obtains from a combination of continued parish revenue growth combined with a shortfall of \$100,000 in parish contributions to the diocese from the preceding year.

Table 5. Parish Assessments for 1999–2000 Using Assessment Rates and Brackets from Table 3

Name	City					Assessment:		Difference:	
		Operating Revenue		Contributions to DioLex		Fixed Tier = 10, 14, 18		Fixed Tier = 10, 14, 18	
		1999	2000	1999	2000	1999	2000	1999	2000
Holy Trinity	Georgetown	\$137,537	\$167,548	\$15,493	\$16,000	\$19,255	\$23,457	(\$3,762)	(\$7,457)
St. Philip's	Harrodsburg	\$49,112	\$54,455	\$7,000	\$7,000	\$4,911	\$5,446	\$2,089	\$1,555
St. Timothy's	Barnes Mountain	\$14,523	\$14,523	\$800	\$800	\$1,452	\$1,452	(\$652)	(\$652)
St. Joseph's	Lawrenceburg	\$4,651	\$4,575	\$600	\$600	\$465	\$458	\$135	\$143
St. Alban's	Morehead	\$16,489	\$13,482	\$3,669	\$3,925	\$1,649	\$1,348	\$2,020	\$2,577
Ascension	Mount Sterling	\$105,858	\$94,371	\$13,500	\$13,000	\$14,820	\$9,437	(\$1,320)	\$3,563
Resurrection	Nicholasville	\$177,809	\$162,508	\$15,000	\$15,000	\$24,893	\$22,751	(\$9,893)	(\$7,751)
St. Peter's	Paris	\$249,970	\$273,478	\$38,400	\$40,800	\$34,996	\$38,287	\$3,404	\$2,513
St. John's	Versailles	\$346,152	\$369,855	\$21,999	\$22,000	\$62,307	\$66,574	(\$40,308)	(\$44,574)
Emmanuel	Winchester	\$234,672	\$320,335	\$34,000	\$36,000	\$32,854	\$57,660	\$1,146	(\$21,660)
Trinity	Danville	\$160,144	\$161,519	\$16,000	\$17,000	\$22,420	\$22,613	(\$6,420)	(\$5,613)
Our Saviour	Richmond	\$87,895	\$84,577	\$13,200	\$12,100	\$8,790	\$8,458	\$4,411	\$3,642
St. Michael's	Lexington	\$448,711	\$489,445	\$33,000	\$33,999	\$80,768	\$88,100	(\$47,768)	(\$54,101)
St. Raphael's	Lexington	\$170,079	\$158,549	\$16,000	\$16,000	\$23,811	\$22,197	(\$7,811)	(\$6,197)
Good Shepherd	Lexington	\$720,325	\$650,835	\$110,000	\$110,000	\$129,659	\$117,150	(\$19,659)	(\$7,150)
Christ	Lexington	\$1,015,870	\$994,400	\$268,533	\$195,000	\$182,857	\$178,992	\$85,676	\$16,008
St. Andrew's	Lexington	\$29,525	\$33,844	\$6,000	\$6,000	\$2,953	\$3,384	\$3,048	\$2,616
St. Augustine's	Lexington	\$24,794		\$2,100		\$2,479	\$0	(\$379)	\$0
The Apostles	Lexington	\$230,133	\$240,099	\$20,000	\$22,260	\$32,219	\$33,614	(\$12,219)	(\$11,354)
St. Hubert's	Clark County	\$41,669	\$49,401	\$5,000	\$5,000	\$4,167	\$4,940	\$833	\$60
Ascension	Frankfort	\$301,839	\$346,973	\$32,500	\$32,500	\$54,331	\$62,455	(\$21,831)	(\$29,955)
St. John's	Corbin	\$49,631	\$44,343	\$9,600	\$5,500	\$4,963	\$4,434	\$4,637	\$1,066
Christ	Harlan	\$63,011	\$40,679	\$3,630	\$3,630	\$6,301	\$4,068	(\$2,671)	(\$438)
St. Mary's	Middlesboro	\$73,686	\$71,394	\$3,000	\$3,000	\$7,369	\$7,139	(\$4,369)	(\$4,139)
Trinity	Covington	\$417,424	\$484,847	\$103,000	\$103,000	\$75,136	\$87,272	\$27,864	\$15,728
St. Stephen's	Covington	\$49,682	\$54,575	\$3,600	\$3,100	\$4,968	\$5,458	(\$1,368)	(\$2,358)
Advent	Cynthiana	\$41,200	\$46,460	\$8,400	\$7,050	\$4,120	\$4,646	\$4,280	\$2,404
St. Francis	Flemingsburg	\$5,492	\$7,965	\$1,500	\$1,500	\$549	\$797	\$951	\$704
Grace	Florence	\$149,641	\$161,560	\$20,000	\$20,508	\$20,950	\$22,618	(\$950)	(\$2,110)
Nativity	Maysville	\$126,411	\$136,441	\$14,500	\$14,557	\$17,698	\$19,102	(\$3,198)	(\$4,545)
St. Paul's	Newport	\$47,802		\$3,600		\$4,780	\$0	(\$1,180)	\$0
St. Andrew's	Fort Thomas	\$311,719	\$308,055	\$48,000	\$48,000	\$56,109	\$55,450	(\$8,109)	(\$7,450)
Calvary	Ashland	\$254,172	\$265,859	\$58,000	\$33,717	\$35,584	\$37,220	\$22,416	(\$3,503)
St. Thomas	Beattyville	\$51,750	\$27,167	\$6,644	\$6,600	\$5,175	\$2,717	\$1,469	\$3,883
St. David's	Pikeville	\$9,701	\$9,701	\$3,010	\$3,010	\$970	\$970	\$2,040	\$2,040
St. James	Prestonsburg	\$53,944	\$54,319	\$4,000	\$4,000	\$5,394	\$5,432	(\$1,394)	(\$1,432)
St. Mark's	Hazard	\$18,385	\$17,671	\$2,640	\$1,620	\$1,839	\$1,767	\$802	(\$147)
St. Patrick's	Somerset	\$105,821	\$84,671	\$6,720	\$8,940	\$14,815	\$8,467	(\$8,095)	\$473
TOTALS		\$6,397,229	\$6,500,479	\$972,638	\$872,716	\$1,008,776	\$1,036,330	(\$36,138)	(\$163,614)