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Agency: GCOM

Title: Report and Recommendations from the General Council on Ministries to the General Council on Finance and Administration on Behalf of the Needs of the General Program Agencies from the World Service Fund for 2005-2008

Financial Implications: None

Report No. 23

Petition Number:

REPORT AND RECOMMENDATIONS FROM THE GENERAL COUNCIL ON MINISTRIES TO THE GENERAL COUNCIL ON FINANCE AND ADMINISTRATION ON BEHALF OF THE NEEDS OF THE GENERAL PROGRAM AGENCIES FROM THE WORLD SERVICE FUND FOR 2005-2008

Introduction

The General Council on Ministries (GCOM) and the General Council on Finance and Administration (GCFA) have been assigned an important responsibility on behalf of the eight general program agencies of The United Methodist Church. The financial support, which each program agency receives from the World Service Fund, is critical to enable them to fulfill their Disciplinary responsibilities and provide program ministries that spread the gospel of Jesus Christ and carry out ministry in many different ways. Thus, *the level of the financial support from the World Service Fund for these agencies will make the difference in effective ministry!*

The Book of Discipline gives GCOM and GCFA a mutual responsibility. Ultimately, these two Councils will agree on the amount of World Service Funds to recommend to the 2004 General Conference for the program agencies for the next quadrennium.

Specifically, *The Book of Discipline, 2000* ¶906.2 provides that:

“a) The General Council on Ministries shall, in consultation with the General Council on Finance and Administration and the general program agencies, develop recommendations to the General Council on Finance and Administration on needs of the general program agencies for the programs, missional priorities, and special programs.

b) The General Council on Ministries shall receive the recommendation of the General Council on Finance and Administration proposes to make to the General Conference as to that portion of the total World Service budget to be available for distribution among the general program agencies.”

History Regarding World Service Funds for the General Program Agencies

Many believe that funding for general agencies has consistently increased and thus depleted financial resources available to annual conferences and local churches. While it is true that several areas of cost, including health care costs and other important maintenance items for local churches and annual conferences, have risen, at the same time funding levels to support the mission and ministry of the church through the general program agencies have consistently decreased.

The GCFA has carefully researched the history of expenditures and the impact of inflation since 1988. That research shows that when viewed in terms of actual purchasing power of funds spent for ministry at all levels in the church, funds administered by the local church increased in purchasing power while for the same period the level of funds administered beyond these areas has decreased.

What is particularly significant in relation to the general program agencies of the denomination is that since 1973, the purchasing power of funds allocated for these vital ministries has decreased by over one-third.

As GCFA considers the level of funding necessary to support the essential ministries of the church through the eight program-related general agencies, it cannot ignore these objective facts. GCFA must act responsibly through its funding recommendations to the General Conference to ensure adequate support for these agencies through the World Service Fund to enable and continue vital mission in the world.

Background and Process

To fulfill its dual responsibilities on behalf of the general agencies' program needs in the church, GCOM and GCFA staff and leaders met to review the process to be used this quadrennium. A decision was made to seek to move those programs also funded through GCFA Report 17 to the General Conference within the budget requests of the general agencies that have administrative oversight for these programs. In June 2003, after review by both GCOM and GCFA staff, forms and guidelines were sent to the general program agency general secretaries and presidents. It must be noted that a majority of the general secretaries and treasurers had not been through this process before and additional steps were instituted to bring clarity and understanding to the process. The general secretaries reviewed and discussed the program-budget process at their June meeting. Conference calls were held with the general agency treasurers and the GCOM and GCFA staffs in July to answer questions and develop rapport and confidence in the budget building process. Budgetary assumptions including percentage of increases in health care costs were shared with the treasurers to insure uniformity in building agency budgets.

By December 2002, each general program agency submitted to GCOM and GCFA extensive written material describing their program needs for the 2005-2008 quadrennium. The GCOM program budget task force members carefully studied this material, containing 400 pages of information. The requests totaled \$265 million for the 2005-2008 quadrennium.

In carrying out its responsibilities the GCOM and GCFA Program Budget Task Forces were cognizant that studies are occurring and recommendations being developed across the church that might result in changes in the future direction in the church's mission and the organizational make-up of the general church. However, because any decisions in these areas can only be made by action of the General Conference, the two councils' task forces were obligated to consider the program needs of the church as expressed through its general agencies under the requirements in the current *Book of Discipline*, and are the basis for recommendations contained in this report.

In February 2003, the GCOM and GCFA Task Forces met together in a three-day consultation with the leadership of each of the eight program agencies and the United Methodist Youth Organization. The consultation included worship, presentations of each of the agencies, questions and answers about their program plans and needs. Following the consultation, the GCOM and GCFA Task Forces met together with representatives of the general program agencies to develop next steps.

Concerns were expressed about the total of \$265 million being requested by the general program agencies. The general secretaries and treasurers of the program agencies heard the concerns and expressed a willingness to voluntarily look for ways to reduce their budgetary requests using a commonly agreed list of values developed by the GCFA/GCOM/program agency representatives. GCOM felt that those who are

most directly involved with programming decisions could best determine where reductions should be made.

The general program agency general secretaries and treasurers, and some of the financial chairs of their agencies met twice in two-day sessions. They examined a range of budget requests from optimal to “bare-bones.” The initial work reduced requests by a total of \$22 million. They also made further projections based on lower levels of funding recognizing the difficult situations facing the church. These sessions resulted in a common understanding of mission and purpose toward maximizing efficiency with a reduction in bureaucracy. They proposed to reshape their ministries along the Nurture-Outreach-Witness model. They projected further reductions in staff and program. They sought to hold the line for on-going expenses, but are faced with unavoidable cost increases for health care far beyond the cost-of-living increases.

The GCOM believes the agencies have made a good faith effort to reduce their requests, while balancing it with the need to provide services and programs approved by the General Conference and meeting the expectations of annual conferences and local churches. With annual conference staff cuts, general agencies are being contacted directly for these services. The general agencies are attempting to provide essential services to make ministry possible at many levels of The United Methodist Church.

Recommendation

After careful review of the program and budget requests and through conversations with general agency leadership, the General Council on Ministries recommends a minimum of \$230 million to represent the amount of funding from the World Service Fund to cover the minimum needs of the eight general program agencies and the United Methodist Youth Organization for 2005-2008.

Rationale

In making this recommendation the General Council on Ministries recognized that the general program agencies have made deep cuts from their originally proposed budgets which will still require sacrifice by all the agencies in order to stay within this spending level. GCOM applauds the spirit of collaboration and cooperation demonstrated by the general program agencies. There is a commitment to continue to look for greater efficiencies and cost savings.

Nevertheless, the \$230 million level will:

- Result in reductions of some services currently provided to annual conferences and local church.
- Enable agencies to be more responsive to the global nature of our church by responding to requests and expectations of central conferences. These costs would be approximately \$2.7 million to provide for programs and travel to central conferences. (This sum is reduced substantially because the agencies are working cooperatively in this arena.) It provides for central conference member participation in the decision-making process in general agencies including travel expenses and language translation costs.
- Cover major unavoidable cost increases. The work of general agencies is primarily done through people on the respective staffs. The costs associated with having these trained and experienced program staff moving throughout the connection is significant. These costs are greatly increased by projections for health care costs which are part of the personnel packages. For example, GCFA instructed the agencies to project a 15% annual increase in health care costs for each of the next four

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years (an increase of \$10.5 million). The reduction of staff positions also has a cost of \$2 million to cover the expense for severance packages and related layoff expenses.

- Eliminate 59 staff positions
- Reduce programming levels from what was optimal to what are the bare necessities

The general agencies are seeking to provide support and resources to central conferences, which are the most rapidly growing ministries in our denomination. However, they are confronted with daunting challenges as political uncertainties and growing anti-American and Christian attitudes make the mission more difficult and challenging. As The United Methodist Church seeks to live out the global nature of the church, the needs and expectations are likely to rise further.

There are also many changes on the income side. In recent years the agencies have used available reserve funds to cover their cash flow of on-going operations, to care for unanticipated expenses, to respond to annual conference and local church requests, and to initiate new programs approved by General Conference without adequate funding and for emerging issues. In 1998-99, the GCFA directed agencies to “spend down” their reserves. Also, the poor performance of the investment market lowered value of stocks and bonds resulting in less income being generated. Now the general agencies find themselves with underfunded reserve levels.

It needs to be noted that the annual World Service Fund allocations to the eight general program agencies and United Methodist Youth Organization have been lower each year during this quadrennium as compared to the 2000 allocation. This was to be offset by the use of reserve funds and an increase in the allocation of Benefit Trust income. However, projections are that as early as 2004 some agencies will not receive any Benefit Trust income distribution and in addition will be required to pay a portion of retiree premiums. The forecast is a need to cover \$11.8 million in expense in the next quadrennium

The GCOM believes that this request reflects the economic realities in which we live while providing support for vital mission and ministry. We pray for a day when the financial resources might match our vision of what is possible for God to do through The United Methodist Church.

Signed: _____
Bishop Edward W. Paup, President

Signed: _____
Daniel K. Church, General Secretary