



# **The Arkansas Tithe Initiative:**

A New Way to Share Ministry

Apportionment Recommendations  
from the 2015 Conference CFA

April 16, 2015

## **HISTORY: PHASE ONE (2011 – 2013)**

Four years ago at the 2011 Annual Conference a motion was passed directing CFA to examine the current apportionment formula of the Arkansas Conference and to bring to the 2012 Annual Conference recommendations for a simplified formula more reflective of the conference's four core measures, especially #1 (*rooting all we do in our understanding of Scripture, and personal and social holiness*) and #4 (*organizing our ministry around the unique geographic, cultural, demographic, and ethnic contexts in the identified mission fields...*) A task group consisting of Sara Pair, Zach Roberts, Ken Pearson, Ashley Coldiron, Todd Burris, Phil Hathcock, Roy Smith, Cheryl Baker (maker of the motion) and chaired by Jim Polk was established to respond to this motion.

After carefully studying the conclusions of several GCFA studies and examining the revenue-based apportionment formulas of other UM conferences (Upper New York, Kansas East and West, Kentucky, Rocky Mountain, and Indiana; since then California-Nevada, Iowa and Dakota have been added), the task group came to the conclusion that the Arkansas Conference should seriously consider looking into the merits of a *revenue-based formula* rather than the expense-based formula we are currently using. This was largely based on research indicating that revenue is often a better indicator of a church's vitality (and therefore its ability to pay apportionments) than expenses.

After looking at all the data collected the consensus was that *a revenue-based apportionment formula has strong*

*merit and should be seriously considered by the Arkansas Conference.* Unfortunately, due to uncertainties at the time surrounding the transition to direct billing of pensions, it was difficult to model with any precision how a change in apportionment formulas would affect individual congregations. The recommendation to the 2012 Annual Conference was to make no change to the current apportionment formula at that time but to conduct further studies in order to come to the 2013 Annual Conference with a specific proposal for a revenue-based formula.

In 2013, after further study the conclusion was made that while moving to *a revenue-based apportionment formula* was not in the best interest of the Arkansas Conference at that time, moving toward *a revenue-based budget* was in order. The CFA report approved by the Annual Conference directed CFA to move toward basing future budget totals of Funds 2-6 on a tithe (10%) of aggregate revenue as based on lines 62 and 64 of Table III, with the transition fully phased in by the 2016 budget. The 2016 budget proposal submitted in this year's Pre-Conference Journal accomplishes this goal.

## **HISTORY: PHASE TWO (2013 – 2015)**

We soon realized that the practice of budgeting based on reported revenue while apportioning based on reported expenses was creating a significant disconnect. Specifically, the use of one number (the aggregate reported *revenue* of lines 62 and 64, Table III) was allowing a budget to be created based on 10% (excluding pre-82 pension amounts) of revenue. However, the use of a different number (the aggregate reported *expenses* as determined by our current formula) was not allowing individual church apportionments to be directly tied to that same percentage. Only by moving to a revenue-

based apportionment formula could the same number, and thus the same percentage, be used for both the conference budget and local church apportionment.

In the Fall of 2014 as we began our preliminary work for the 2016 conference budget, we recognized that with the direct-billing of pensions fully phased-in we could finally accurately model how changes in the apportionment formula would affect individual local churches. With that, it was time to return to the issue of moving to a revenue-based apportionment formula.

Preliminary work began and at the March, 2015 regular meeting of CFA an Apportionment Task Group was appointed from current members of CFA (Bill Wisener, Brittany Watson, Zach Roberts, Paul Lasseigne, Betty Gene Mann, Todd Burris, and chaired by Jim Polk) to develop the details of a proposal to bring to the 2015 Arkansas Annual Conference.

Discussion initially centered around a revenue-based apportionment formula based on prior year Table III figures. However, after talking again with conferences which have similar formulas, we became aware of another approach that we believe has great merit. After further conversation, we presented to CFA on April 16 what we call *"The Arkansas Tithing Initiative: A New Way to Share Ministry."* After discussion and modification, it was approved by CFA and forms the basis of the following resolution to the Arkansas Annual Conference.

**The Arkansas Tithe Initiative:  
A New Way to Share Ministry  
A Resolution for a Change in  
Calculating Shared Ministry Apportionments**

Sponsored by the 2015 Arkansas Conference Council on  
Finance and Administration

**Whereas**, Arkansas United Methodists are the Body of Christ connected by our calling, and through this connection we can better accomplish our mission of making disciples of Jesus Christ who are equipped to transform lives, communities, and the world;

**Whereas**, funding for General, Jurisdictional and Conference ministries are part of our historical connection and required by *The Book of Discipline*;

**Whereas**, the current apportionment formula is a complex calculation that many find difficult to understand, using selected expense items found on Table II of the year-end statistical reports which do not provide a significant financial or theological rationale for inclusion in the calculation, and using two-year-old statistics that do not reflect the current vitality of a congregation;

**Whereas**, an apportionment based on a tithe of revenue would not only provide a theological foundation for the apportionment but would also be easier to understand and explain than the current expense-based formula;

**Whereas**, a tithe of such revenue would directly tie each local church apportionment to its individual financial situation and directly tie the conference budget to the financial health of the local churches, thus enhancing the sustainability of future conference and local church budgets; and

**Whereas**, any change in the method of apportioning may have a significant impact on some local church budgets, thus necessitating a phase-in period to allow churches time to prepare for such changes;

**Therefore**, be it resolved that the Arkansas Conference adopt an apportionment formula for local churches that will:

- Be a tithe (10%) of adjusted gross income. (gross income minus capital campaigns, memorials, endowments, sale of church owned real estate, tuition-based services, direct costs of fund-raising, and pass-through funds)
- More clearly define revenue-reporting guidelines.
- Be based on prior month reporting and not a two-year lag.

**Therefore**, be it further resolved that in order to phase-in to a revenue-based apportionment, the 2016 apportionments for individual churches will be calculated as an average of the 2015 expense-based formula and a tithe of revenue as reported on lines 62 & 64 of the 2014 Table III year-end statistical report; and

**Therefore**, be it further resolved that in order to prepare for full implementation in 2017, monthly reporting of revenue will begin in the fall of 2015.

## **RATIONALE FOR THE PROPOSED CHANGE**

In the following pages we will give a more detailed understanding both of the rationale for the proposed change in the way we apportion and of how we will go about determining the church tithe. First we will begin with why we believe this change is needed.

## **WEAKNESSES OF THE CURRENT EXPENSE-BASED APPORTIONMENT FORMULA**

The common criticisms of the existing expense-based apportionment formula are well known, such as:

- The current formula is based on data that is two years old. This lag in statistical reporting can cause unintended hardships when economic conditions deteriorate rapidly. Our current formula apportionment levels cannot quickly adjust to unexpected downturns in economic conditions.
- The decimal formula necessarily distributes apportionments based upon a church's records relative to those of other churches. Any church's efforts to make its own adjustments can be swamped by changes among other congregations.
- A formula that excludes benevolences paid for outreach ministries beyond the local church tends to increase apportionments among churches developing strong outreach ministries led by church staff and operated within church facilities.
- The formula tends to increase apportionments among churches with a high proportion of spending toward clergy, administrative and operations expenses, and decreases apportionments among churches with low proportions of such spending.
- Churches with higher levels of operating expenses are apportioned more relative to churches blessed with lower levels of such expenses.

## MERITS OF A REVENUE-BASED APPORTIONMENT

There are numerous advantages to the proposed revenue-based apportionment:

- Basing apportionments on a tithe of the adjusted revenue of local congregations will be more direct, clear, and transparent than the current “expense-based system we use. It is simple to apply, easy to understand, and fair to all.
- A tithe of adjusted gross revenue will base the local church apportionment on the total revenue *available* to that congregation to spend on normal operating expenses (and thus their ability to pay apportionments) without penalizing them for decisions on *how* they will spend their revenue.
- Directly relating a church’s apportionment to the amount of operating revenue it receives provides an opportunity to teach biblical concepts of stewardship such as the tithe, proportional giving, etc. Just as individuals are encouraged to tithe to the church, so congregations can begin to see their apportionment as a tithe offering to the conference, a natural way of supporting the work of the Church beyond the local congregation. This is why we call this “The Arkansas Tithe Initiative.”
- A tithe of local church revenue will for the first time force our conference budget to be naturally responsive to the changing economic situations of individual local churches (especially if done in real time.) As a congregation’s economic health (and thus revenue) increases, so will its apportionments. Conversely, if a congregation’s revenue decreases in times of economic uncertainty, so will its apportionment. This will significantly increase the long-term financial stability of the Arkansas Conference.



## **DETERMINATION OF A REVENUE BASE**

In order for the Tithe Initiative to function, it is important that we be clear what revenue will be included and what will be excluded in determining the revenue base upon which the local church will tithe. Our recommendation to calculate adjusted gross income is as follows:

- **Total Gross Income for previous month (including designated giving and all other funds)**
  - **Exclude income for Capital Campaigns (this does not include income for lines of credit (LOC) or mortgage payments)**
  - **Exclude income for Memorials and Endowments**
  - **Exclude income from sale of church-owned real estate (not used for operating expenses)**
  - **Exclude income from Tuition-Based Services (preschool, daycare, etc.)**
  - **Exclude Direct Costs of Fund-Raising**
  - **Exclude income for Pass-Through Funds**
- **Adjusted Gross Income for Church**

FAQ sheets along with detailed instructions will be distributed to help pastors, church financial officers, and others understand the new procedures.

## **TWO-YEAR LAG OR REAL TIME?**

While some conferences have opted to base apportionments on the latest year-end revenue figures from Table III, this approach continues the two-year lag in reporting that we currently work with, thus making the apportionment less responsive to economic changes in local churches.

We are working toward a different approach. Instead of apportioning a specific dollar amount to each congregation based on prior-year figures, we are simply asking congregations to self-report their monthly revenue and send in the prescribed percentage on a monthly basis. While this will shift some risk to the conference, it has the advantage of creating an apportionment system that is exceptionally transparent and conference budgets that are immediately responsive to the economic changes of the local church.

## **CONCLUSION**

We strongly affirm the primary mission of The Arkansas Conference of the United Methodist Church to make disciples of Jesus Christ equipped to transform the world with excellence and passion, and agree that the primary work of our conference is to resource and strengthen local congregations to do their work, while at the same time supporting the ability of our conference, jurisdiction and General Church to engage in larger connectional ministry and mission. Our hope is that through a new approach to apportionments we can help foster a pattern of Christian financial generosity among Arkansas United Methodists that is seen as a clear response to God's marvelous generosity to us.

We believe that this is the time to be bold. Now is the time to engage our membership in a new understanding of apportionments that will move us toward a system that is more easily understood, interpreted and embraced in order to strengthen our entire conference.

However, we must not forget that the issue is not so much the specific formula we use to apportion the budget, but rather how committed and excited we are to the ministry the budget supports.

Much discernment will be needed as we move forward and we humbly call on all Arkansas United Methodists to join us in prayer as together we seek the guidance of our Almighty God for the Arkansas Conference of the United Methodist Church.

Submitted by:  
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## QUESTIONS OR CONCERNS? PLEASE CONTACT

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