

MEMORANDUM

RE: Diocesan Assessment Payments to The Episcopal Church (TEC), Waiver Process & Waiver Funding

FROM: Russ Randle, Province III Lay Representative to TEC Executive Council

October 29, 2020

A recently filed resolution proposes to reduce the Diocese of Virginia's payment to The Episcopal Church (TEC) - the diocesan assessment -- and to use the funding freed to restore cuts in campus ministry. This memo takes no position on that proposal.

This memo does provide information about the calculation of that assessment, about the process to seek a waiver (approval) allowing the Diocese to pay a lesser sum to TEC, and about the consequences of failing to pay the full assessment if a waiver is not granted.

I. Calculation of Diocese of Virginia Assessment Payment to TEC.

Most of TEC's budget at the denominational level is funded by payments from dioceses to TEC, payments known as assessments. There are currently about 100 dioceses located within the United States and additional dioceses located outside the United States, including dioceses located in Honduras, Taiwan, Venezuela, Ecuador, Colombia, Haiti, the Dominican Republic, and Cuba.

Over the past decade, the percentage of diocesan income required to be paid to TEC has been cut significantly. Beginning in 2018, the amount due from each diocese is 15% of unrestricted diocesan income, calculated after deduction of \$140,000 to cover the cost of a bishop.

II. Diocesan Compliance with Assessments.

The Diocese of Virginia has an exemplary record of paying the full assessment to TEC, a record going back to at least the 1960s, when the Diocese took large budget cuts locally rather than cut payments to TEC in the racial controversy over the Special Program of General Convention. More recently, in the difficult controversy following the 2003 election of Bishop Gene Robinson and later over marriage equality, the Diocese continued to pay the full assessment, even while enduring harsh cuts locally.

Many dioceses were not as diligent in paying their assessments, sometimes for political reasons, sometimes for financial reasons. General Convention ultimately reduced the diocesan assessment to the 15% level, while expecting all of us to do more work locally. Convention and Executive Council have made clear that failure to pay assessments or obtain a waiver would result in loss of TEC grants and other financial support towards ministries occurring within a diocese.

As of 2019, the large majority of U.S. dioceses were paying their full assessment. Of the remaining U.S. dioceses, all but a few applied for waivers and were on a schedule to come into full compliance in the near future. (On average, the economics of the non-domestic dioceses are much more difficult than U.S. dioceses, and their financial support for TEC is much more limited than the support from domestic dioceses.)

III. Waiver Process.

In between our triennial General Convention, Executive Council, an elected board, oversees the business of TEC at the denominational level. I serve on Executive Council. Prior to the pandemic, Executive Council would meet three times a year for four-day meetings. Since March, we have met almost monthly through virtual means. Our most recent four-day virtual meeting concluded on October 12, 2020.

As part of its duties, Executive Council administers the diocesan waiver process. In February 2020, Executive Council adopted the waiver process for 2021 and following years in its Resolution FIN 090. The due date for the 2021 waiver application is January 31, 2021. Financial hardship is a basis to seek relief, but the grant of that relief is discretionary with Executive Council. Here is the link

https://extranet.generalconvention.org/governing_and_interim_bodies/executive_council/resolution?id=145

IV. Pandemic Impacts and Adjustments at TEC: 2020 Budget

In the spring and summer of 2020, Executive Council, working closely with the Treasurer and TEC staff, made over \$3 million in budget cuts in an overall annual budget of around \$47 million for 2020. TEC also sought and obtained a PPP loan of just over \$3 million, in large part to prevent staff layoffs and to assure that support continued for distressed dioceses such as Navajoland. (In the spring of 2020, Executive Council learned that clergy in Navajoland all took significant voluntary pay cuts to avoid any layoffs there.)

TEC has reportedly laid off no one since the pandemic began, in large part because of the substantial budget cuts in program and because of the PPP loan. Most dioceses have continued to pay their assessments though the TEC Treasurer correctly notes that these payments are a “lagging indicator” of distress.

V. TEC 2021 Budget and Diocesan Assessment Waiver Funding

On October 12, 2020, in the final day of that scheduled meeting, Executive Council adopted a revised budget for calendar 2021 in Resolution FIN-113. This action is public, but the final version of the Resolution and explanatory notes have not yet been posted.

One of the important changes, according to the Finance Committee written explanation, “Adds \$1 million to the Assessment Waiver pool in hopes that dioceses will apply for relief, as needed (line 4a). These funds come from the projected triennial surplus, due in large part to the savings identified by staff in the 2020 budget.”

In debate over the 2021 budget and staff salaries, members noted that dioceses in significant financial distress because of the pandemic may seek relief through the waiver process, for which additional funding has been made available.

VI. Impacts of Cuts without Obtaining a Waiver.

If the Diocese of Virginia decides to seek a waiver to reduce its 2021 Assessment, that application and supporting data are due for submission to TEC by January 31, 2021 in the circumstances present here.

The expected supporting data will include information about parish and diocesan revenue. The large majority of dioceses in TEC use a mandatory assessment of parish income to fund diocesan operations rather than the voluntary giving provided in the Virginia plan. Parishes in most other dioceses pay a significantly higher percentage of parish income to their diocese than is the case in our diocese.

If Diocesan Convention cuts the payment to TEC and our Diocese fails to apply for or fails to obtain a waiver, there are adverse consequences for ministry in the Diocese of Virginia. As stated in Executive Council Resolution FIN-090

Failure to make full payment or to receive a waiver in one year shall render the diocese ineligible to receive grants, including scholarships, or loans from the DFMS in the following year. Any grant, including scholarship or loan application, which requires the signature of a bishop or ecclesiastical authority, falls under this policy.

TEC administers a number of different trust funds and grants for education, for antiracism work, for environmental work, among other priorities, and for a variety of scholarship programs.

Over the years, including recent years, ministries within the Diocese have been the recipient of significant grant funding under a variety of trust funds and other programs administered by TEC. These have included, for example, recent funding to assist the South Sudanese congregation in Alexandria.

Absent a waiver, a cut in the diocesan payment to TEC would, for example, preclude our Diocese from obtaining funding for Beloved Community programs to combat racism, as have been given recently to the Dioceses of Minnesota and Louisville in the wake of the murders of George Floyd and Breonna Taylor.

I will be happy to respond to questions about these subjects so that delegates to Convention can make informed judgments about the budget decisions that face us at Convention.

Respectfully submitted,

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