



The Diocese of Nova Scotia and Prince Edward Island

MEMORANDUM

To: The Diocese of Nova Scotia and Prince Edward Island
From: Simplified Allotment Working Group
Date: 2020/02/18
Subject: Request for feedback

As you may or may not know, the 2019 Synod passed the following resolution:

"...this Diocesan Synod direct Diocesan Council to prepare and present for consideration at Diocesan Synod 2021 a radically simplified allotment system that is scaled as directly as possible to the ability of each parish to contribute."

In June 2019, Diocesan Council struck a small working group (the group) to do this work with a goal of delivering a draft report to Diocesan Council in December 2020. The working group consists of Reverend Mellanie Cohoon, Graham Bell (Treasurer of Holy Trinity, Middleton), Robert Sheppard (Treasurer of Collieries Parish), and Glen Greencorn, Diocesan Controller.

Part of the working group's plan is to solicit feedback and thoughts from local parishes. This memo is a request for some feedback. It identifies some of the potential models and other considerations and attempts to identify some of the pros and cons of each. It is not an exhaustive list and that is where your feedback will be appreciated.

Please submit your thoughts, comments, and other feedback to Glen Greencorn ggreencorn@nspeidiocese.ca by March 27, 2020.

Purpose of Allotment:

In order to begin a discussion of Allotment Rate there needs to be an understanding of the purpose of allotment.

The primary purpose of any allotment system is to fund the ministry of the diocese. Currently, allotment represents approximately 85% of the diocese's funding (the remainder is funding from various investments held by the diocese). Paying for the work that goes on in the Diocesan Office; the work of the Bishop(s), the work to support parishes, the funding that flows through to the Anglican Church of Canada, and the work of discernment and formation. Attached to this memo is a graph roughly outlining the use of all revenues received by the diocese.

It is important to note that there are two components that go into setting an allotment rate. The first is determining the total financial need of the diocese and the second is the manner in which that need is shared among the parishes within the diocese. The working group's mandate is to look only at the second of these components. The actual financial need is determined annually by Diocesan Council.

This group met and identified various models of determining the base for applying an Allotment Rate. We did not attempt to set an allotment rate(s) nor determine which income sources or expenditures to exempt. The intention at this time is to determine which approach is seen to be the most equitable.

It is interesting to note the various names associated with diocesan funding models.

- Allotment - allotment is defined as “the amount of something allocated to a particular person”.
- Apportionment – apportionment is defined as “divide and allocate”.
- Allocation – allocation is defined as “the action or process of allocating or dividing something”.
- Fair Share – defined as “An equitable or reasonable portion or share of something”.

For the current discussion, the group will continue to use the term “allotment” although Synod may wish to consider a term that sounds less directive.

The models that the group identified were:

- Gross Income – simply the Gross Income from all sources for a Parish (i.e. all revenue with no expenses deducted)
- Parish Income – this would be the Gross Income of the Parish less those income amounts that “flow through”. The most common example in the Diocese of Nova Scotia and Prince Edward Island would be collections in support of PWRDF.
- Assessable Income – the Gross Income of the Parish less certain exemptions. This is the model currently in place in the Diocese.
- Expenses Only – In this model, the allotment would be assessed on the Expenditures of each Parish. The more a Parish spends, the higher its allotment would be.
- Number of Congregants – this allotment model would be based on some number of parishioners in each Parish
- Pledge – In this model, each Parish would pledge to contribute a certain dollar amount to fund the work of the diocese in its mission to support Parishes and perform its other ministries. Under this model, parishes are typically provided with a target (some percentage of income) and asked to strive for a stretch target.

With the exception of the Pledge model, the models identified above simply provide a base for allocation or sharing. Further, all of the models except Pledge and Number of Congregants calculate the base in dollars. With a base expressed in dollars, the allotment rate can simply be a percentage of the total dollars required by the Diocese. Furthermore, the allotment rate can be a single fixed rate, a different rate depending on the type of income, or a variable rate depending upon each parish’s income with the rate increasing (or decreasing) as income increases. An additional consideration in determining the base is whether to use the most current year, or some average of a number of years.

The following is a more detailed look at each of the models with some of the pros and cons of each considered:

Gross Income	
Pros	Cons
<ul style="list-style-type: none"> • Relatively simple to calculate • 	<ul style="list-style-type: none"> • May be implications for fundraising for external initiatives (i.e. the parish would be required to pay allotment on funds raised for PWRDF for example)

Parish Income	
Pros	Cons
<ul style="list-style-type: none"> • Relatively simple to calculate • Assessment is based on the income the parish has for its purpose 	<ul style="list-style-type: none"> •

Assessable Income	
Pros	Cons
<ul style="list-style-type: none"> • Current system • Allows the diocese to indicate what it views as priorities • 	<ul style="list-style-type: none"> • Can be complex • Different interpretations of exemptions

Expenses Only	
Pros	Cons
<ul style="list-style-type: none"> • Relatively simple • Reflects a parish's ability to spend 	<ul style="list-style-type: none"> • Determine which expenditures to include (all, non-salary related only, etc.) • May discourage necessary expenditures •

Number of Congregants	
Pros	Cons
<ul style="list-style-type: none"> • Relatively simple 	<ul style="list-style-type: none"> • How do you determine the number of congregants (average weekly attendance, total members, identifiable givers, etc.)? • Does not consider each congregant's ability to contribute •

Pledge	
Pros	Cons
<ul style="list-style-type: none">• Relatively simple• Parishes have a sense of self-determination• Encourages longer term planning by parishes	<ul style="list-style-type: none">• Difficult for diocese office to budget• Dealing with amounts insufficient to meet the diocese's needs• Parishes likely to forecast and pledge conservatively

Other Considerations:

Single Fixed Rate – For example <i>all parishes pay 10% of total income or all parishes pay 22% of assessable income</i>	
Pros	Cons
<ul style="list-style-type: none"> • Simple 	<ul style="list-style-type: none"> • Does not reflect each parishes ability to pay

Different Rates for Different Income Streams - For example <i>all parishes pay 5% of offerings, 15% of investment income, 20% on gifts from organizations</i>	
Pros	Cons
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Introduces a level of complexity

Variable Rate – For example <i>all parishes pay 10% on first \$20,000 of total income, 15% on income between \$20,000 and \$40,000 and 20% on income over \$40,000 or whatever the allotment base is or \$200 each for the first 50 congregants, \$150 for the next 50, \$100 per congregant over 100</i>	
Pros	Cons
<ul style="list-style-type: none"> • Considered to be progressive • Higher “income” parishes pay a higher rate • 	<ul style="list-style-type: none"> • Some difficulty in setting “break points” • Additional complexity for diocese office •

Current Year Data	
Pros	Cons
<ul style="list-style-type: none"> • Reflects the current reality of the parish • 	<ul style="list-style-type: none"> • Difficult to forecast • Requires timely record keeping

Most Recent Year Data – this is our current system	
Pros	Cons
<ul style="list-style-type: none"> • Current situation • 	<ul style="list-style-type: none"> • May not reflect recent changes in the parish • Allotment is based on things that happened two years ago

Average of Historical Data	
Pros	Cons
<ul style="list-style-type: none"> • Smoothes out anomalies 	<ul style="list-style-type: none"> • Allotment may be partial based on events of several years ago • Negative impact on parish if the trend is decreasing funding

2020 Budget - by Expenditure Purpose

