

Apportionment 2023

The Anglican Community is an interdependent entity, relying on the support of one another, as does the entire church of Jesus Christ. Apportionment provides support for the common work of the Diocese of Calgary, and does so by requiring each parish to pay an amount determined by Diocesan Council. Fairness as between parishes has long been a goal of the apportionment system, as evidenced by documents going back decades which use the term “Fair Share” apportionment.

Fairness is a concept we all intuitively understand but is always difficult to define in precise terms. Hence fairness ultimately comes down to perception. Some of the previously held concerns included:

- Similarly situated parishes paying significantly different apportionment levies;
- Small changes in a parish’s circumstances resulting in significantly different apportionment levies;
- A calculation system that seems overly complex, difficult to understand, poorly or infrequently explained, or impossible to independently verify the results;
- A system that seems to be disconnected from parishes relative ability to contribute to the common work of the Diocese.

Recognizing that the previous system for determining apportionment had fallen victim to some of these perceptions, and pandemic realities had rendered a key parameter of the previous system untenable, the Administration and Finance Committee recommended a review and overhaul of the system.

A progress report presented to Diocesan Council in June 2022, set out a number of principles and recommendations which included:

- Abandoning the 8% annual cap on apportionment increases or decreases which over time had come to dominate the entire complex calculation system, contributing to apportionment levies which in some cases bore little relationship to parishes’ current fiscal realities;
- Abandoning the six attendance-based categories as unsustainable in a post-pandemic reality of mixed in-person and online services;
- Retaining the long-standing foundational concept of base income that has been part of the apportionment structure for decades, well before the

current system. (Put simply, base income is income from all sources that is generally available for Parish operations, excluding donations directed to third parties or special / capital projects in line with Diocesan policies or permissions);

- Changing the apportionable income to a three-year average of base income, from the current lesser the three-year average and the most recent one year (since the other mechanism for smoothing fluctuations had been removed); and
- Generally simplifying the process and making it more transparent.

A subsequent report presented to Diocesan Council in October 2022 reviewed a number of different formulas that fit the above criteria, and which would have produced approximately the same aggregate apportionment as actual 2022 apportionment had they been adopted for that year. A rationale for each of the options offered was also provided. That report also addressed mechanisms for “softening the blow” for those parishes for whom the new system would produce a large and unexpected increase in apportionment, while avoiding tying the new system to the previous one beyond a short transition period.

Approved Apportionment Formula for 2023

The final recommended and approved formula works as follows:

- Apportionment is to be calculated on the most recent three-year average of Base Income (for 2023 apportionment this would be 2021, 2020, and 2019).
- The formula for calculating a parish’s apportionment is:
 - 10% of the first \$75,000 of average base income, plus
 - 15% of the next \$75,000 of average base income, plus
 - 20% of average base income over \$150,000
- For 2023, 2024 and 2025, the apportionment is reduced by a transition allowance calculated as follows:
 - For 2023, the amount, if any, by which the 2023 apportionment calculated without a transition exceeds 108% of the 2022 apportionment for that parish. This means no parish will see more than an 8% increase in apportionment in 2023.
 - For 2024, 2/3 of the 2023 transition allowance.
 - For 2025, 1/3 of the 2023 transition allowance.

Other Observations and Adjustments

Under the new formula, approximately 59% of parishes will pay a flat 10% of average base income, as their income falls below \$75,000. Approximately 29% of parishes have income in excess of \$150,000 and will pay a 20% rate on some part of their income. The balance have income between \$75,000 and \$150,000.

Any apportionment system depends upon the parishes faithfully and accurately reporting their base income on their Annual Return reports to the Diocese. For the most part, the Diocese does not audit these returns. However, each year there are some parishes who simply do not file their Annual Return, or who omit the financial information. The previous apportionment administration dealt with missing information by referring back to the last information that was reported, and applying an 8% annual increase to fill in the missing data. Beginning with the 2023 apportionment calculation, if financial information was not reported, we will first look to the publicly available information reported on the Registered Charity information return, and then to prior year reports. The 8% annual increase factor is being retained.

Parishes should be aware that generally it will be more advantageous for them to file their Annual Returns with the Diocese, not to mention that doing so is also part of being part of the interdependent body that is the Diocese of Calgary in particular, and the Body of Christ generally.