

## The Apportionment Formula for the Arkansas Conference

Every summer the annual conference approves a budget to fund the shared ministries of the churches for the coming year. The budget includes: salaries and related costs for conference staff; pension benefits for all clergy; retiree healthcare premium gifts; the cost of clergy on disability; and all conference, jurisdictional and general conference connected ministries.

Once the delegates approve the budget, a formula is used to equitably collect the funds. Imagine the budget apportionment to be similar to a “conference pie” for which each church is responsible for a slice. The total value of the slices cannot equal any more or any less than the original pie. For 2012 we have a \$14.5 million pie that must be divided into 676 slices.

Churches must receive a proper portion of the “pie”, so that it is just as easy, or just as hard, for each church to contribute the amount for which they are responsible. Some are asked to provide several hundred dollars, while others are asked to provide several hundred thousand dollars!

The formula to determine the apportionment is recommended by the Council on Finance and Administration (CFA) and approved at annual conference each year. Over the years the formula has tried a mixture of the membership, attendance, and financial considerations of each church. After decades of tweaking, our conference uses a formula that only includes financial variables. Furthermore, only specific financial variables are considered, which are common to all.

### OVERVIEW:

1. We start with an approved conference budget. (The whole apportionment ‘pie’)
2. We slice the budget to equal as many churches as there are in the conference. This varies slightly every year. We currently have around 676 churches.
3. The most recent “End of the Year Reports, Table II” are used to determine the Financial Considerations. **Only lines 52-62 are used in the formula**. Using this data:
  - a. The conference totals the amounts from all churches to create a **Grand Total Financial Considerations**.\*.
  - b. The conference divides your **Local Church’s Financial Considerations** by the Grand Total. The result tells us what percent of the Grand Total your local church represented. This “slice” or percent is reported as a **decimal**, such as 0.00012445.
  - c. Your church decimal represents the percent or slice which your church accounted for in the **Grand Total Financial Considerations**. This same percent will be the slice of the budget you are asked to provide.

*\*The 11 categories mainly include three areas: money spent on all staff; programming expenses; and operating expenses. **Not included** in those categories are: money in the bank; money spent on apportionments, missions, renovations, capital improvements, or debt reduction. It is not what is received by a church that determines the apportionment; it is what is spent in 11 specific areas which are common to all churches.*

## An Apportionment Example

**If:**

- A. The conference budget for 2012 is \$14,486,792
- B. The number of churches in the conference is 676
- C. The grand total of all items spent in 2010 on eleven key areas by the 676 churches amounted to \$70,964,671.
- D. Your church reported a total of \$187,811 in the eleven key areas.

**Then:**

- E. Your church would be responsible for approximately \$38,340.

	1	2	3
<b>A</b>	<b>2012 Conference Budget</b>		<b>\$14,486,792</b>
<b>B</b>	<b>Number of churches</b> in conference:		676
<b>C</b>	<b>Grand Total Considerations</b> by all churches as reported on lines 52-62 of the 2010 End of the Year Report Table II.		\$70,964,671
<b>D</b>	<b>Local Church Considerations</b> as you reported on lines 52-62 of the 2010 End of the Year Report Table II.		\$187,811
<b>E</b>	What percent (or <b>decimal</b> ) of the Grand Total Considerations (C3) was your local church (D3) responsible for?	D3/C3	0.00264654
<b>F</b>	Multiply the 2012 Conference Budget (A3) by your church's decimal (E3)	A3 * C3	\$38,340
	<b>2012 Approximate Apportionment for your church:</b>		\$38,340

Disclaimer: This is a sample teaching tool, not an official document. In most cases it is 99.9% accurate. The number of churches may change. The conference spreadsheet may use a different “rounding” method than the one in this example, or extend the decimal farther. However it is a true depiction of how the apportionments are determined each year under the current formula.

## Common Apportionment Myths and Misconceptions

- 1. Myth: “If the conference budget changes, our apportionment will change by the same percent.”**  
**Reality:** It is true that the total amount apportioned to all the churches will be the same percent. However, the numbers of churches vary from year to year. And the financial strength (or ranking) of each church compared to the others varies each year. So it is possible that the budget goes down, and yet a particular church apportionment goes up.
- 2. Myth: “The health insurance premiums make our apportionment go up!”**  
**Reality:** The cost of premiums does effect apportionments, but not to the extent often assumed. The total amount apportioned to the churches must be the same as the conference budget. Premiums are part of the financial considerations that determine what each church is apportioned, so they are a factor. Yet most churches with full time pastors must absorb the same increase, so its effect on the apportionment is greatly diminished. (Churches with part time pastors receive a double break: they don’t pay premiums; and there is less to report.) Finally, the conference staff has their insurance premiums contained in the conference budget, which is passed on to the churches through the apportionment.
- 3. Myth: “Apportionments are just Taxes!”**  
**Reality:** While no one can deny some similarities, there are important distinctions:

  - There is an income tax, but not an “income” apportionment. (No church is apportioned based on what they have in the bank.)
  - There is a property tax, but no “property” apportionment.
  - Taxes are loosely related to a national budget, while the apportionment is precisely tied to the conference budget. (When taxes bring in more than estimated, the government keeps the surplus. The only way the conference could receive more than was budgeted would be for churches to give more than they were apportioned!
  - The government aggressively goes after back taxes. The conference simply asks you to adjust your spending as necessary so you can pay in full in the future. A conference does not pile previous year’s unpaid claims onto next year’s apportionment. Each year a church starts clean.
- 4. Myth: “Every dime we collect or spend increases our apportionment!”**  
**Reality:** What a church has accumulated in cash or property or endowment has absolutely no effect on a church’s apportionment! It only becomes part of the formula after it is spent, and even then only select categories of spending are included. They include the amount spent on:

  - All staff (clergy and laity) including salary and benefits.
  - Other Church Operating Expenses: utilities, supplies, literature, programming, marketing, insurance and normal maintenance costs.

**Not included** in the apportionment formula:

  - What is not yet spent (still in the checking account, CD, endowment, etc.)
  - What was given to missions (including amount paid on apportionments)
  - What was paid on capital improvements and/or building debt

End of Apportionment Formula Summary

