



THE DIOCESE OF THE SOUTH
Orthodox Church in America

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MEMORANDUM

TO: Metropolitan Council Members from the Diocese of the South
Orthodox Church in America

FROM: Very Rev. Fr. Marcus C Burch, Chancellor,
Diocese of the South
Noel Busch, Interim Treasurer
Diocese of the South

DATE: February 1, 2018

SUBJECT: Triennial Diocesan Tithe to OCA

Dear Fr Joseph, Angela, Fr Thomas, and Fr Antonio,

Recently, the Chancellors and Treasurers of the OCA dioceses met in Syosset to generally discuss the financial condition of the dioceses and to consider a tithing formula for financial support of the OCA ("central administration") during the 2019-2021 Triennium (which may be a Quadrennium depending on the outcome of the upcoming AAC).

Much of the discussion focused on the experience with proportional giving thus far and the forecast for 2018 relative to the 2018 OCA Income Budget. That forecast showed a shortfall of \$25,739, i.e. 2018 Income Budget of \$1,706,644 less Projected Giving of \$1,680,905. However, when Projected Giving was "trued-up" to reflect actual 2017 Tithe from Diocese of the South the comparison showed a surplus of over \$6,000, i.e. 2018 Projected Giving of \$1,712,771 versus the 2018 Income Budget of \$1,706,644.

The point of these examples is merely to illustrate a truism, namely that forecasts and projections are exercises in educated guessing and, further, to raise the question of whether the scenario of declining giving is a valid assumption in this current economic environment. Yet it was the declining giving assumption combined with educated guesses and anecdotal reports concerning parish conditions in the northeastern and "rust belt" states that served to frame a debate on a Proportional Giving formula for the next Triennium.

The Diocese of the South, for its part, entered this discussion with an expectation derived from

the original adoption of the proportional giving formula that its assessment rate of 34% would be reduced in the upcoming Triennium from this burdensome level. The northeastern and "rust belt" dioceses also expected rate reduction from rates as high as 45%.

One proposal was floated to increase the 34 percenters (South and West) by one percent per year while the 44 and 45 percenters would be reduced by 2 percent each year, ultimately landing at a uniform rate of 38% over four years. While the logic, at least the math, appears fair and inescapable, the reality is that the impact on the Diocese of the South is more likely to fall on its ability to fund missions, assist with building programs, sponsor internships for newly ordained clergy and seminarians. This is especially true in a growing diocese whose parishes and missions are very often in inadequate and/or temporary buildings and looking to build proper temples and halls. Also, much of our growth in the last couple of decades has come with the planting of new missions and the expansion of existing missions and parishes, often with the need to support assigned priests with diocesan funds for a time. Moreover, this diocese spans from the border of Mexico to the Atlantic Ocean necessitating extensive travel and the attendant costs to fulfill hierarchical pastoral functions.

In the interest of compromise, the Diocese of the South offered an alternative that would involve a measured but not mandatory increase each year. In short, the proposal would index the rate annually so that the increase would take effect only if the previous year's increase did not yield the income expected and to which the OCA Income Budget would have been pegged. In effect, the increases would be "triggered" by outcomes, not by predetermined prescription. The corresponding reductions for northeastern and "rust belt" dioceses would proceed lower or hold at the previous year's percentage depending also on this "trigger".

Given that we are relying on educated guesses this measured approach would enable both the dioceses and the OCA to affirmatively plan for defined contribution and income levels, but would also protect the dioceses from unnecessary assessment increases when not required. This formula would seem to serve everyone's interest whether in a declining or an increasing income environment.

Nonetheless, the proposal did not garner the support needed and the previous proposal of increasing the DOS and DOW percentages 1% per annum and decreasing the other dioceses by 2% per annum (until 38% is achieved as the norm for all dioceses) passed as the recommendation of the gathering of Chancellors and Treasurers with the Diocese of the South voting against and the Diocese of the West abstaining.

On a side note of particular relevance, the Diocese of the South also observed that, in the absence of greater understanding and analysis of operational expenses, passing an assessment formula was akin to affirming only half a budget. Access to functional cost analysis information, program priorities measured by effectiveness and value, combined with a plan defined by the national church's objectives and needs would greatly enhance understanding at the diocesan level.

Then again, what was not discussed in great detail, but was nonetheless presented by the representatives of the Diocese of the South, is that this recommendation is at odds with our original understanding and hope that the whole of the OCA, but particularly its "Central Administration", needs to be moving toward a proportional giving model of supporting the work of the church. It has always been our view that a simple proportional support model puts the emphasis on using the available funds in such a way that will best work for the growth of the church. The keys to a healthy central administration are healthy dioceses and the health of their constituent parishes and missions. This present recommendation seems to be the older "per capita" approach in the clothing of proportional giving: decide what the budget for the "central administration" needs to be, and then figure out a plan (in this case a percentage of the various diocesan budgets) that will yield the expected outcome. And, it is therefore, a return to the method of support that was collapsing because it could not be sustained.

We would want to firmly assert the following:

1. We support the OCA's central administration, and recognize that it is already operating under budgets that have been severely reduced (and cut) in previous years. However, we are concerned that further increasing the percentage expected from the DOS will at some point move us past a tipping point where we will begin to decline. This in turn would lead to declining income for the central administration.

2. While discussion of the funding proposal turned to "fairness" in terms of what proportion the DOS and DOW are paying in support of the OCA compared to the other dioceses (34% versus 44%), it must be noted that this discrepancy reflects the already exorbitant amount that these dioceses were paying under the old "per capita" system, and is not based on any "unfairness" inherent in the proportional support method. These dioceses, while paying a larger percentage than the DOS or DOW, are nonetheless paying less than they did under the old system, and this would continue for them so long as their percentage continues to decrease. This will allow them to keep more of their own funds that can then be used to foster growth in their own dioceses, leading --- it would be hoped --- to further financial growth, or at least stability. It also must be noted that the DOS and DOW who were already using a system of proportional giving to support their own diocesan administration, are the only dioceses presently showing financial growth.

3. In a gesture of good will and in the spirit of reasonable compromise, the DOS indicated that it would be willing to increase its giving (in the manner described above), though we think that the absolute maximum should be 35%. Ideally, we would like to see a decrease of 1% per annum (in the manner described above) in which we would move toward a goal of no more than 25%. This 25% would represent (because of growth of the DOS) more funding to the OCA based on real growth of the DOS.

4. We recommend "staying the course" toward supporting the OCA by a simple proportional

giving method. This will allow more monies to be kept by the respective dioceses to be used for the growth and health of each diocese. This will no doubt be difficult, especially for the OCA's central administration, as we continue to wean ourselves away from the old system of per capita support (which simply doesn't work in a church that is in numerical decline, and in fact only serves to reinforce that decline). In the short term it may appear "unfair" in terms of the percentages that each diocese is paying. But, already, we are seeing several of the dioceses have moved toward a system of proportional support within its own diocese, and each diocese is keeping more of its own funds. The hope and expectation is that this will lead to overall growth, both of the constituent dioceses of the OCA and of its central administration.

We thank you for your every consideration of our concerns. We also stand ready to discuss these matters if that is your desire.

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