



**The United Church
of Canada
General Council**

GC44 GS20 Affirm Existing Assessment Funding Rates and Principles for 2024 for October 2023

True Document Date: October 21, 2023

1. What is the issue?

With the enactment of “Remit 4: Funding a New Model”, it was intended that all pastoral charges would share in funding both regional and denominational governance work in a proportional and transparent way. The original implementation plan for transition to the new funding model (as approved with the ratification of Remit 4) contemplated a three-year transition plan with full implementation by 2022. It was further contemplated that General Council 44 in July 2021 might ratify certain principles and assessment rates going forward. COVID impacted the schedule with the transition plan extended into 2023 and there being considerable uncertainty regarding the longer-term financial impact on congregations.

General Council 44 first affirmed the existing assessment rate in 2022 and is again being asked in 2023 to affirm the current rates and principles for 2024 and potentially longer. At each annual meeting of General Council, there will be an opportunity to affirm or change these rates. Therefore in 2025, the General Council could potentially effect a change – but only if a proposal comes forward.

With almost five years of administrative experience, we have sought to simplify the administration of assessment and provide greater expense certainty for pastoral charges and revenue certainty for regional councils, the Indigenous church and the denominational council. The new funding model, as approved and ratified, has held up reasonably well in both design and financial projections. In particular, target assessment levels have been reduced during the pandemic, and will continue to align with what is happening at the congregational level. The [original 2016 YouTube video](#) is still applicable.

In October 2021, the 43rd General Council approved an amendment to the assessment formula to exclude fluctuating annual investment results and instead use a smoothing approach based on a notional long-term return so assessment would be calculated from the investment balance reported. Investment results can fluctuate dramatically year over year, so even if the numbers are reported correctly, there can be considerable fluctuation in the reported investment income and consequently on the assessment calculation. For example, in 2018 most pastoral charges with assets invested in a typical balanced mandate (60% equities, 40% fixed income) would have incurred a small overall loss. In 2019, that same investment portfolio might have gained 10% or even more. The resulting assessment would fluctuate markedly. In order to avoid such extreme fluctuations, the assessment relating to investments or investment income will be based on the asset balance and will be calculated on the basis of 0.25% (one quarter of one percent) of the balance reported on the most current church statistics.

At the October 2021 General Council annual meeting, finance staff were asked to investigate the possibility of increasing the assessment of “wealth” further to promote further sharing of resources. Review of the largest endowments found a significant degree of outward resource allocation to outreach initiatives. In addition, many regions have introduced property policies which mandate further sharing of revenues with contributions to Mission and Service, regional priorities and Indigenous justice funds. Further study is required. Virtually all feedback received suggests great caution in considering any increase of assessment of any kind right now.

Since the lasting financial impacts of the pandemic on church finance remain uncertain, and the new funding model only fully implemented this year (2023), it seems prudent to continue monitoring and evaluating instead of making any fundamental changes to the assessment formula. This will improve transparency and reduce the administrative burden for both pastoral charges and the General Council which administers assessment on behalf of the broader church.

2. Why is this issue important?

Any decision has significant financial impact to all parts of the church. A key principle is that all pastoral charges participate in the assessment system in a transparent and equitable manner. The greater the clarity of the calculation and the process, the greater the comprehension and support we can expect from pastoral charges. Affirming denominational

assessment rates provides a degree of planning and budgeting certainty for all parts of the church. For example, pastoral charges will typically know their future year assessment as soon as they submit statistics. Given the degree of uncertainty around the longer-term financial impacts of the pandemic, any change to the existing model would create greater uncertainty and risk of unintended consequences.

3. How might the General Council respond to the issue?

The General Secretary recommends

that the 44th General Council, 2023 affirm the existing basis for calculation and allocation of the denominational assessment in order to provide a simple and predictable amount for pastoral charges to pay and for the broader church to rely on in its budgeting and financial forecasting. The key rates and principles are as follows:

- a. 4.5% of adjusted revenues (excluding investment gains/losses and monies raised for outreach initiatives);**
- b. 0.25% or ¼ of one percent of year end investment balance. The investment related portion of assessment would be calculated on the basis of a charge at 0.25% or one quarter of one percent of invested assets as reported in annual statistics and CRA filings. This rate cannot be changed without the express authorization of the General Council. The first \$100,000 of reported investments would be excluded from the calculation to provide for smaller pastoral charges that might still be invested in GICs;**
- c. Equal sharing of the regional council allocation of assessment revenues (1/16 per regional council);**
- d. Maintaining the current proportional allocation of assessment revenue between denomination, Indigenous church and regional councils subject to implementation of the denominational strategic plan, evaluation of the new structures and evaluation of the last financial impacts of the pandemic. It should be noted that this could mean reduced amounts in future years.**
- e. For church closures and amalgamations, assessment amounts would be calculated and payable for full calendar years based on when a pastoral charge requests revocation of charitable status, or when a newly amalgamated entity has**

approved a first budget.

And further, that the 44th General Council authorize the General Council Executive to make such administrative adjustments to the new funding model from time to time as the General Council Executive considers necessary for greater clarity and efficiency in implementation, provided that any such adjustments are in keeping with the principles approved by the United Church in Remit #4 enacted by the 43rd General Council, 2018.

4. For the body transmitting this proposal to the General Council:

Transmitted to the General Council with General Council Executive and Finance Advisory Committee recommendation for approval.

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