

Recommendation: 2012–2013 Budget Proposal



Evangelical Lutheran Church in America
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2012–2013 Budget Proposal

The materials printed on the pages that follow provide information on the 2012–2013 budget proposal. They include:

- a narrative description of the 2012 budget proposal and of the process by which this budget was developed;
- the 2012–2013 income proposal, which provides projections of all income available to the churchwide organization in the coming biennium;
- the 2012 expense proposal:
 - 1) distribution by churchwide unit;
 - 2) distribution by major purpose;
 - 3) ELCA World Hunger distribution proposal; and
 - 4) a summary of programs and services by churchwide unit; and
- a series of charts to illustrate issues related to the 2012 budget proposal.

At its April 2011 meeting, the Church Council reviewed the 2012–2013 budget proposal, which was developed by the Office of the Presiding Bishop. The council voted to make the following recommendation to the 2011 Churchwide Assembly:

Recommendation for Assembly Action

2012 Budget Proposal

To approve a 2012 current fund spending authorization of \$61,792,900;

To approve a 2012 ELCA World Hunger income proposal of \$18,500,000;

2013 Budget Proposal

To approve a 2013 current fund income proposal of \$61,939,400;

To approve a 2013 ELCA World Hunger income proposal of \$18,500,000; and

To authorize the Church Council to establish a spending authorization after periodic review of revised income estimates.

Introduction

Process

The authority for the budget development process is described in this church's *Constitution, Bylaws, and Continuing Resolutions*. The following references are from those documents.

Budget development in and by the churchwide organization is an interactive process, the purpose of which is to allocate financial resources that strengthen this church's participation in God's mission (4.02.) in ways appropriate to the role of the churchwide organization (11.11. and 11.12.). Budget development is an exercise in stewardship: "As a steward of the resources that God has provided, this church should organize itself to make the most effective use of its resources to accomplish its mission" (5.01.i.).

The appropriate roles of participants in the budget development process are as follows:

- The presiding bishop provides for preparation of the budget (13.21.f.);
- The executive for administration, under the direction of the presiding bishop, develops the budget and reports to the Church Council and Churchwide Assembly through the Budget and Finance Committee (15.11.A04.d.);
- The Office of the Treasurer estimates income and provides advice (11.41.03.);
- The Administrative Team provides common counsel and coordination (15.11.02.);
- The Budget and Finance Committee presents the budget to the Church Council for consideration by the Churchwide Assembly (14.41.A05.);
- The Church Council, upon the recommendation of the presiding bishop, submits budget proposals to the Churchwide Assembly and approves expenditure authorizations (14.21.05.);
- The Churchwide Assembly adopts a budget for the churchwide organization (12.21.e.).

Budgeting Principles

Two of the principles of organization that guide this church are applicable to the budget development process and the people who participate in it:

- 5.01.h.** Leaders in this church should demonstrate that they are servants by their words, life-style, and manner of leadership. Leaders in this church will recognize their accountability to the Triune God, to the whole Church, to each other, and to the organization of this church in which they have been asked to serve.
- 5.01.i.** As a steward of the resources that God has provided, this church shall organize itself to make the most effective use of its resources to accomplish its mission.

Current Economic Environment and Its Implications

The ongoing economic downturn and decreased revenue continue to challenge the alignment of resources and ministry for the churchwide organization. After five years of relatively flat mission support, mission support decreased from \$66.1 million for fiscal 2007 to \$52.6 million in fiscal 2010, a decline of \$13.4 million or 20.4 percent. The current 2011 mission support budget anticipates another decrease to \$48.0 million. The income proposal for the 2012–13 biennium anticipates \$47.0 million for each year. Estimates from synods for 2012 anticipate a \$3.3 million decrease.

Acceleration in the trend of declining mission support created an urgent need to restructure the churchwide organization, effective February 1, 2011, in order to better align the work of the organization with available resources. While the economic realities provided the urgency, mission drove the redesign. The 2012-2013 budget proposal reflects the anticipated mission with and on behalf of this church through a smaller, more focused organization.

The Churchwide Organization Redesign and the Budget Proposal

The redesign of the churchwide organization sought to:

- Align priorities and general operations with available resources;
- Position the churchwide organization for the future;
- Create a lean, nimble, focused organization; and
- Identify areas for strategic reduction.

The redesign process had the benefit of the Living Into the Future Together: Renewing the Ecology of the ELCA (LIFT) Task Force research as part of its process. During the spring and summer of 2010, the LIFT task force initiated a conversation across the ELCA to focus on internal and external factors impacting congregations, Lutheran identity, relationships, and expectations of the various partners in the ELCA ecology. These grassroots conversations included studies conducted with individuals, congregations, synods, and churchwide organization partners. Over half of the 2010 synod assemblies devoted time in their agendas to LIFT conversations and forums. A questionnaire was distributed to a random sample of pastors and congregational lay leaders. LIFT conducted surveys, focus groups, and interviews. The task force also consulted with the Conference of Bishops, leaders from institutions of higher education, seminaries, ecumenical partners, and various ministry networks. This extensive research provided the churchwide organization design team with current insights about foundational components for the new structure and directions for prioritizing ministries. In addition, the LIFT Planning Team served as advisors in the design process.

The redesign of the churchwide organization is grounded in the *Constitution, Bylaws, and Continuing Resolutions* of the ELCA and builds on the Plan for Mission, which was adopted by the ELCA Church Council in 2003 and affirmed for implementation by subsequent ELCA Churchwide Assemblies. Consultations with the Conference of Bishops, the ELCA Church

Council, other partners, and the LIFT research affirmed the two strategic priorities for the focus of the new design. These priorities were shared in the 2009 budget proposal presented to the 2009 Churchwide Assembly (Section IV, page 56). The two priorities are the following:

The churchwide organization, working collaboratively with congregations, synods, agencies and institutions and other partners, will give priority to:

1. accompanying congregations as growing centers for evangelical mission; and
2. building capacity for evangelical witness and service in the world to alleviate poverty and to work for justice and peace.

The 2011 Churchwide Assembly thus receives a 2012–2013 budget proposal that supports a smaller, more focused churchwide organization. If this proposal is approved, the churchwide organization will proceed to develop a 2012 spending authorization proposal for consideration by the Church Council in November 2011.

This budget is a symbol of the degree of trust and expectation placed in and on the churchwide organization by the rest of this church. May it be used wisely and faithfully for the doing of God's work through our hands.

Revenue Summary

The current fund income proposal for 2012 of \$61,792,900 is \$821,600 or 1.3 percent less than the revised 2011 income estimate approved by the Church Council but \$14,985,100 or 19.5 percent less than the 2011 income proposal approved at the 2009 Churchwide Assembly.

Mission support continues to be the primary source of income for the current fund operations. It represents 76.1 percent of total current operating income, down from 81.2 percent as proposed in 2009. The 2012 income proposal includes mission support at a level of \$47,000,000, a decrease of \$1,000,000 or 2.1 percent from the revised 2011 estimate. This figure anticipates synods remitting at 88.9 percent of their current budget plans.

Other sources of revenue are estimated to total \$14,792,900, an increase of \$178,400 from the revised 2011 estimates. Decreases are anticipated for both unrestricted and temporarily restricted endowment distributions (\$82,100) due to the affects of payouts being based on a five-year average of the rolling market value. Increases of \$100,000 each are anticipated from Vision for Mission gifts and rental income.

Giving over the last biennium for the ELCA World Hunger and Disaster Appeals reflects the tremendous generosity and support by ELCA members. However, the estimated income is being maintained at the \$18,500,000 level over the biennium. The ELCA World Hunger program is incorporating its response to the 2009 Churchwide Assembly action on HIV and AIDS within the regular operations of the appeal. The ELCA World Hunger program is committing to spending on mission related to these diseases \$10,000,000 over ten years, beginning in the 2010

fiscal year. The first year of this effort resulted in expenditures exceeding \$993,000.

Gift income decreased significantly in 2010. The primary areas of decline were in gifts received through synods (\$1.5 million) and in bequests and trusts (\$1.0 million). The final results, however, were higher than the previous 2011 income proposal by over \$700,000. As a result of the favorable variance to budget and the inclusion of the HIV and AIDS emphasis, the 2011 ELCA World Hunger income proposal has increased from \$17,000,000 to the current revised estimate of \$18,500,000. The 2012 income proposal maintains that budget level in anticipation of the ELCA Malaria Campaign.

Expense Summary

Operational costs continue to rise at a rate that exceeds increases in income. While staffing was reduced by 65 full-time equivalent positions in the new design, the organization must plan for the ongoing costs of compensation and benefits. Compensation increases for the 2011 staffing levels of 46 directors for evangelical mission in synods, 43 other deployed staff, 235 missionary positions, and 239 full-time, part-time, and term staff at the Lutheran Center are built into the 2012–13 proposal.

Fixed costs continue to be reviewed for efficiencies where possible. Costs for assemblies, meetings, travel, insurance, legal expenses, building maintenance, and management are constantly and vigorously reviewed. While efficiencies can hold down fixed costs, they cannot be eliminated or altered without substantial change in policy, mandates, and quality of service. Building management increases for 2012 are estimated at \$34,185.

Churchwide units continue to work to provide good stewardship of available resources. In order to ensure funding for the strategic priorities in this environment of declining income, the churchwide organization must continue to look closely at funding channels, structure, and staffing to ensure that it is doing the best it can to tell the mission story and provide opportunities for members to participate financially. Staff continue to work with the Conference of Bishops and with affiliated agencies and institutions to pursue the best methods for sharing of resources. This is evidenced in the changes in the 2012 budget proposal in grants to affiliated agencies. All decisions to reduce existing ministries are difficult. Continued collaboration with the Conference of Bishops and other partners in making these decisions is a sign of the interdependent nature of this church and the commitment to partnership in mission.

Pr. M. Wyvetta Bullock, *executive for administration*