

## **Proposal for Changes to Apportionment Formula**

*Note: This proposal received its first reading at June Interim Meeting 2017 and was approved for forwarding to Annual Session for consideration.*

As the Stewardship and Finance Committee began work in early 2016 on the apportionment for 2017, it noted that the number of concerns expressed about the formula was increasing, and that for the first time Monthly Meetings were informing Stewardship and Finance that they either could not or would not pay the calculated apportionment. This caused us concern, as the apportionment contribution is the way in which Monthly Meetings support the work of Baltimore Yearly Meeting in responding to the needs of its constituent meetings and to the seemingly endless needs for Spirit-led intervention in the wider world. If our constituent Meetings lose the sense that what they are being asked to contribute is both reasonable and worthwhile, then our voluntary system will eventually break down.

An Apportionment Subcommittee was established to review the formula and evaluate the complaints. One of the first issues identified was that the apportionment as a percentage of a Monthly Meeting's income (contributions and unrestricted investment income) varied widely. The causes were identified as the 25% cap on annual increases and decreases in the apportionment, and the weighting given to the number of households contributing more than \$100.

The cap was intended to smooth increases and decreases over a period of time, but its effect is to require less from Meetings which have had an increase in income and which could therefore afford to pay more towards the apportionment, and to require far more on a percentage basis for Meetings which have had a major drop in income, often causing real hardship. The Committee was informed that the consideration of the number of donors giving more than \$100 was intended to shift a slightly higher amount of apportionment to larger and better off Meetings. However, in too many cases it has reduced the apportionment for well off Meetings and increased it for small and relatively less affluent Meetings.

These results, combined with a widespread perception that the formula is so complicated that it cannot be understood or its results predicted, led the Subcommittee to decide as it began its work that the goal was a relatively simple formula which could be easily understood, which treated all Meetings similarly, and which maintained the ability to pay philosophy which was the intent of the current formula.

Because affordability was behind a number of the complaints, the Subcommittee surveyed all Meetings regarding their expenses for space (rent and mortgages); income from rental of their space; resources, expenses, and challenges for Meetings maintaining multiple meeting houses and/or burial grounds; and investments and contingency funds.

The Subcommittee learned that very few Meetings rent their space, and most of those which own property do not have a mortgage. However, seven do, and nine more have renovations or expansions underway or in the planning stage and some of these will probably involve debt. Most

of the Meetings with mortgages are managing the payments without undue stress, so the Subcommittee concluded that the formula should not be changed to deal with the problems of a few.

Of the 40 Monthly Meetings, only 17 have rental income, and for 13 of those the income is under \$5,000 annually. Only one Meeting was able to provide accurate numbers regarding the cost associated with rental income. However, since the apportionment formula is intended to be based on ability to pay, and rental income improves Meetings' financial condition, the Subcommittee concluded that we should move into this area gradually, beginning by modifying the apportionment information form to ask for "best estimate" of Meetings' rental income net of expenses and by asking them to indicate what portion of that (if any) they would be willing to voluntarily make subject to apportionment. The decision to move forward with a formula change involving expected inclusion of net rental income would be made at a later date.

The results regarding Meetings with multiple meeting houses (there were seven) and/or burial grounds (also seven) were surprising in regard to how few of the problems Meetings are experiencing are financial. Most Meetings which have multiple properties also have restricted funds which pay for upkeep, and the stresses come instead from small and aging memberships which find it difficult to perform the necessary labor themselves. As a result, the Subcommittee decided not to recommend a change in the formula around this issue.

Two thirds of BYM Monthly Meetings have investments, and of those, 19 have restricted funds. This issue was included both to understand the degree to which investments are an important part of Meetings' financial security, and to confirm or refute the perception that there is wide variability in how different Meetings interpret the definitions of designated and restricted funds, as well as variation within Meetings over time as there are transitions involving treasurers. The impression of variability was confirmed, and the conclusion was to try a different approach to defining what contributions and funds are properly defined as restricted and therefore not subject to apportionment. The intent is clarification of the current definitions, not changes to them.

The end product of our work is a recommendation that we keep the essence of the formula, which is ability to pay, and delete the two adjustments which have led to our asking for very different percentages of meetings' incomes. We feel that this will result in a system which is more transparent, more understandable, more fair, and more widely recognized as fair.

The mathematics are much simpler. Each year we determine what we need from apportionment to balance the BYM budget. We calculate for each monthly meeting its unrestricted income (contributions and investments) and the total for all meetings in BYM. We divide the meeting income by the yearly meeting income, and then multiply that by the total apportionment to calculate each meeting's share of the total. If this were presented as a formula, it would look like this:

$$\frac{\text{Monthly Meeting A's Income}}{\text{Income of all Monthly Meetings}} \times \text{Total Apportionment} = \text{Meeting A's Apportionment}$$

This formula results in all Meetings being asked for the same percentage of their income towards the support of the Yearly Meeting. That percentage will vary year to year, as the total apportionment number and the total income of all Monthly Meetings changes over time.

The Stewardship and Finance Committee recognizes that there may be individual situations that require special considerations. Examples include, but are not limited to, unexpected hardships or special short term contributions for capital improvements. Meetings are encouraged to reach out to the Stewardship and Finance Committee as soon as possible so that special situations can be discussed, alternatives developed, and adjustments arranged in the overall BYM apportionment plan.