

**THE JOINT STANDING COMMITTEE ON
PROGRAM, BUDGET AND FINANCE**

Membership

Ms. Bonnie Anderson, <i>Chair</i>	Michigan
The Rt. Rev. Russell E. Jacobus, <i>Vice-Chair</i>	Fond du Lac
The Rev. William D. Nix, Jr., <i>Secretary</i>	Northwest Texas
Mr. Stephen C. Duggan	Treasurer, <i>ex officio, resigned</i>
Mr. Ralph L. O'Hara	Treasurer, <i>ex officio</i>
The Rev. Rosemari G. Sullivan	Secretary of the General Convention, <i>ex officio</i>
The Rev. Wilifred S. N. Allen-Faiella	Pennsylvania, <i>resigned</i>
Mr. Donald W. Bushyager	Pittsburgh
Ms. Anne Bardol	Northwestern Pennsylvania
The Rev. Canon Ernest L. Bennett	Central Florida
The Rt. Rev. Charles E. Bennison	Pennsylvania
Mr. Arthur M. Bjontegard, Jr.	Upper South Carolina
Mr. Jon B. Boss	Southern Ohio
The Rev. James T. Boston	Oregon, <i>replaced</i>
The Rev. Altagracia Perez	Los Angeles
The Rev. Canon Anthony F. Buquor	South Dakota, <i>resigned</i>
The Rev. Willa M. Goodfellow	Iowa
The Rev. Alan C. French	New Jersey, <i>replaced</i>
Ms. Lyn Headley-Moore	Newark
The Rev. Gayle E. Harris	Rochester, <i>resigned</i>
The Rev. Canon Dr. Johncy Itty	Long Island
The Rt. Rev. Julio Cesar Holguin	Dominican Republic
The Rt. Rev. David B. Joslin	New Jersey
The Rt. Rev. James B. Krotz	Nebraska
Senor Roy Lara	Honduras
The Rt. Rev. Alfred C. Marble, Jr.	Mississippi, <i>resigned</i>
The Rt. Rev. Charles G. von-Rosenberg	East Tennessee
Canon Holly McAlpen	California
The Rev. Kathleen S. Milligan	Iowa
The Rt. Rev. Claude E. Payne	Texas, <i>resigned and replacement to be announced</i>
The Rev. Gregory H. Rickel	Texas, <i>replaced</i>
The Rev. Janie L. Kirt Morris	Oklahoma, <i>replaced</i>
Ms. Pan Adams	Arkansas
Mr. Byron Rushing	Massachusetts
The Rev. Sandino Augusto Sanchez	Dominican Republic
The Rt. Rev. Andrew D. Smith	Connecticut
Mr. Dennis Stark	Rhode Island
The Rt. Rev. James Edward Waggoner	Spokane

The Presiding Bishop and the President of the House of Deputies appointed the Rt. Rev. Russell Jacobus to propose and present a slate of officers for the Program, Budget and Finance (PB&F) Committee for the Triennium. The following were approved by a mail poll of the entire Committee: Ms. Bonnie Anderson, *Chair*; The Rt. Rev. Russell Jacobus, *Vice-Chair*; The Rev. William Nix, *Secretary*; The Rev. Gayle E. Harris (resigned) and The Rt. Rev. Andrew Smith, *Canonical and Administrative Support Section*; The Rt. Rev. Russell E. Jacobus, *Funding Section*; Mr. Byron Rushing, *Program/Mission Section* and Canon Holly McAlpen, *Presentation Section*.

The Executive Committee, which also serves as the Funding Section, was composed of the following members: Ms. Anderson, Bishop Jacobus, the Rev. Mr. Nix, Canon McAlpen, Mr. Rushing, and the Rev. Harris, resigned.

WORK SUMMARY

The primary responsibilities of the Joint Standing Committee on Program, Budget and Finance (PB&F or the Committee) are to recommend funding and spending policies to each General Convention for the succeeding triennium, i.e. mission (program), expense and budgets; and between Conventions, to (a) maintain the balanced budget policies, assuring that income is equal to proposed expenditures each year and (b) monitor the priorities established by General Convention and give advice to Executive Council with regard to any adjustments in priorities.

Early in the triennium a letter was sent to the Executive Council's Standing Committee on Administration and Finance (A&F) by the chair and vice chair of PB&F outlining specific areas of follow-up from the General Convention. The areas were:

- The importance of budget priorities.
- Suggestions for following up on funding issues identified at the General Convention.
- Expense items including the Alleluia Fund, Congregational Ministries, ERD, and accountability procedures for institutions/organizations that receive "block grant type" funds from the Episcopal Church budget.

PB&F unanimously resolved to ask the Executive Council to be explicit to PB&F and the General Convention about the priorities used to establish the budget for the next triennium.

During this triennium, PB&F's primary concern was to continue to evaluate and improve the current budget-making process. In addition, the Committee continued to encourage and work with the staff and the Standing Committee on Administration and Finance of the Executive Council (A&F) to identify clear budget priorities. The underlying motivation for initiating this work during the last triennium and continuing it through this triennium was the belief that the Episcopal Church budget is a theological statement of what we believe and value. The Budget for the Episcopal Church should follow the Church's vision.

Throughout the triennium the Committee continued to maintain that a clear vision of mission/ministry priorities and subsequent allocation of monetary resources to enable their implementation is important. In order to maintain regular communication and collaboration in the budget process, PB&F's chair or vice-chair attended A&F and Executive Council meetings during the triennium.

To support PB&F's quest for General Convention to understand the budget process, PB&F requested that the draft budget developed by the Executive Council should be in a plain paper format that will clearly indicate its status as a work in progress, to be finalized by the General Convention.

The Committee acknowledged that the funding formula approved by the 73rd General Convention is working well and should remain in place during the next triennium. The funding formula will be discussed again at PB&F's meeting in March 2003, prior to the General Convention.

EXECUTIVE COMMITTEE

For the purpose of proposing section chairs, the Committee officers met by conference call on January 29, 2001. The Executive Committee met by conference call on August 1, 2001, January 27, 2002, June 7, 2002, and gathered as part of the committee of the whole on March 4, 2002. A meeting is scheduled for March 31, 2003 in Minneapolis.

The August 1, 2001 conference call included these items:

- Update of PB&F appointments
- DFMS/General Convention Treasurer search (Bonnie Anderson, PB&F chair, served on the search committee.)
- Budget priorities

- Response to PB&F's resolution asking Executive Council for a priority based budget
- Update by A&F Chair on priorities development
- Request to A&F that the Executive Council survey be sent to all bishops and deputies

The February 27, 2002 conference call included these items:

- Development of agenda and tasks for the upcoming meeting of the committee of the whole

The June 7, 2002 conference call included a review of the draft list of budget priorities identified by Executive Council.

Subsequent discussion regarding PB&F's ability to insure that the mission priorities reflected in the Budget accurately express the priorities embraced by the General Convention:

- Disclosure of the alleged misuse of diocesan funds by bishops in Northern and Western Mexico
- Financial accountability for funds disbursed to supported dioceses and domestic block grants
- Committee membership appointments
- Telephone orientation of new committee members including chair's conference with members appointed after March 2002

COMMITTEE OF THE WHOLE

The whole PB&F Committee met at Camp Allen, Texas, on March 4-6, 2002. The Committee will meet again in Minneapolis on March 31-April 3, 2003. The 2002 meeting held at Camp Allen was an orientation session for new members. The responsibilities of PB&F and its role at General Convention were discussed, as were the state of the finances of the Domestic & Foreign Missionary Society. Orientation included:

- Background of financial statements, including differentiating between budgetary and statutory financials
- Current forecasts for the trust funds and the triennial budget for the General Convention
- Budget elements, categories, and time frame for budget development
- Anticipated 2002 diocesan commitments
- Configuration of the management team and programmatic heads at the Church Center
- Report and update on mission/program
- Review by staff of the major issues identified in the survey conducted by Executive Council designed to assist them in developing budget priorities

The Committee examined the interconnectedness of PB&F with other financial areas, thoroughly reviewed the budget-making process including PB&F's role with A&F and Executive Council in requesting budget priorities. A General Convention overview and preparation for resolution tracking was presented. PB&F requested that the open hearing on spending occur after the funding hearing at General Convention.

Because PB&F would like to be prepared to adequately discuss budget allocations for supported dioceses and domestic block grants, the need for a clear process of accountability for the use of funds disbursed to supported dioceses and domestic block grants was re-emphasized.

FUNDING SECTION

At the meeting of the PB&F Committee of the whole in 2002, the Funding Section discussed the 21% asking and ascertained that it is still appropriate. The Section reviewed the procedures in place during the last triennium for letters to the dioceses urging those under 21% to raise their pledge, and thanking those responding at 21% or above. The proposed funding formula will be reviewed and discussed at the March, 2003 meeting of the committee of the whole.

As of September 30, 2002 the diocesan pledged income was:

- 51 dioceses at the asking of 21%
- 3 dioceses slightly above 21%
- 7 dioceses significantly above 21%
- 37 dioceses below 21%

AUDIT

In compliance with Joint Rule II.11, two members, Art Bjontegard and Bonnie Anderson, of the Joint Standing Committee on PB&F, serve on the Audit Committee of the Executive Council. In compliance with Joint Rule II.11, it is the responsibility of the Audit Committee of the Executive Council to report annually to PB&F, who then reports to the General Convention.

The 2000 and 2001 audits (Arthur Andersen and Company) yielded no reportable conditions or material weaknesses. Audits were conducted for each of the years (2000 and 2001) with no exceptions or qualifications noted.

In order to select a CPA firm to conduct the 2002 audit of the Domestic & Foreign Missionary Society (DFMS), requests for proposals were sent by the Audit Committee to Ernst & Young, KPMG, and Grant Thornton. These three firms presented proposals and entered into discussion with the Audit Committee and staff. Grant Thornton was selected by a unanimous vote of the Audit Committee and accepted by the Executive Council at its meeting in October 2002. The 2002 audit completion is expected by July 2003.

The Audit Committee recommended the implementation of “best practices” techniques offered to all Province IX dioceses at periodic Business Management Institute sessions. These sessions have been well-attended and will be continued. Reportable findings have been or are in the process of being corrected.

In some instances, the Audit Committee has recommended temporarily suspending grant payments into affected dioceses and making adjustments to ensure that clergy in these dioceses are paid and that their pensions are protected. The Audit Committee continues to monitor closely the situations in the assisted dioceses of Ecuador-Central and Ecuador-Litoral as well as the northern and western dioceses within the autonomous Province of the Anglican Church of Mexico.

PRESENTATION SECTION

The Presentation Section does the majority of its work on site during the General Convention. PB&F budget presentation is governed by I.4.6 (c). Consideration is being given to a budget format that can be easily interpreted by the General Convention bishops and deputies. Graphic illustrations and language translations, and availability on the web are all under consideration. Presentation planning will continue at the 2003 meeting of the committee of the whole.

Budget Report

FINANCIAL REPORT FOR THE 2001-2003 TRIENNIUM

	2001	2002	2003
<i>Allocation</i>	\$30,000	\$35,000	\$55,000
<i>Expenses</i>			
Budget	\$1,380.00 (actual)	\$17,771 (actual 9/30/02)	\$55,000

BUDGET APPROPRIATION

	2004	2005	2006
Budget	\$6,000	\$35,000	\$65,000

Resolution A157 Joint Standing Committee on Program, Budget and Finance Budget Appropriation

- 1 Resolved, the House of _____ concurring, That \$106,000 be appropriated for the work of the Joint
- 2 Standing Committee on Program, Budget and Finance for the 2004-2006 triennium.