Financial Implications for Alaska in shifting from a Missionary Conference to a Mission District

Alaska Missionary District Incorporation – Alaska is already incorporated as a Missionary Conference, allowing us the ability to hold assets and property. Conversations are occurring area-wide about incorporation of districts. If Alaska were to change our status to become a Mission District, we would change our incorporation from the Alaska Missionary Conference to the Alaska Mission District. In practice, not much would change initially besides the name. As we work with others in the Greater Northwest Episcopal Area, changes across the board regarding incorporation could happen.

- **Alaska Legacy Fund** – This fund is an endowment for the Alaska Conference and is being used to fund new church starts. These assets would remain in control of the Alaska Missionary District if we were to change our status.
- **Tom Dahl Fund** – This fund is an endowment for the Alaska Conference and is being used to fund new and Native ministries in various parts of the state, including Nome and Unalaska. These assets would remain in control of the Alaska Missionary District if we were to change our status.

Block Funding from General Board of Global Ministries – Alaska has a long history of funding from the General Board of Global Ministries, the most recent of which is in the form of a $55,000-60,000 block grant used primarily to cover the cost of clergy relocating to and from Alaska. This will be discontinued after the 2020 block grant is received so beginning in 2021, we will no longer have this funding from the General Board of Global Ministries regardless of whether we shift our status to a Mission District or not.

Defined Benefit in Clergy Pension Plans – Currently, Missionary Conferences are exempt from the Defined Benefit contribution of $5,700 per active clergy per year to the Clergy Retirement Plan. If we became a Mission District, we would no longer be eligible for that exemption, and our expected contributions of that Defined Benefit would rise on an incremental scale, beginning with 0% in 2021, 25% in 2022, 50% in 2023, 75% in 2024, and 100% in 2025 onward. However, Wespath has proposed a new Clergy Retirement plan to General Conference 2020 that eliminates the Defined Benefit entirely. Payments to the Defined Benefit would cease on 12/31/2022. This means that if the new clergy retirement plan passes and if Alaska becomes a Mission District, then we would not be responsible for any Defined Benefit contributions in 2021 (our first year as a Mission District), and we would only be responsible for 25% of the Defined Benefit contribution in 2022 (which would be approximately $1,425 per clergy serving), before the Defined Benefit contribution ceased to exist entirely. This means that the overall cost would be relatively small and contained, barring any major economic downturns in the future leaving the plan underfunded and thus requiring additional payments.

General Church Apportionments – These are set independent of our status as a Missionary Conference, therefore our shift to a Mission District will likely not create a change in general church apportionments. We will also be paying into the General Church Apportionments of PNW instead of being independently apportioned.

- It is important to note that General Agencies of the UMC, funded by general church apportionments, are looking at between a 17-19% decrease in budget for the coming quadrennia. As such, apportionments that go to support these agencies will likely change as well, independent of our decision to become a Mission District.
Operational Budget of Alaska – The operational budget of Alaska is almost entirely independent of our status as a Missionary Conference or as a Missionary District. It is realistic to assume that operational portions of the budget would not change dramatically if we became a Mission District. Assuming business as usual after GC 2020, we predict the following financial implications:

- Alaska local church apportionments would not increase. Over time, we will work with PNW to develop a new formula to calculate apportionments that reflect cost adjustments of living in Alaska. General Church apportionments account for roughly 20% of the budget, and it is unknown how they will change (see above).
- Most of the Alaska operational budget is determined by direct costs. Local church apportionments are then calculated to meet the needs of those direct costs. It is likely that most of our direct costs would not change if we became a Mission District.
- Alaska has experienced some significant budget shortfalls in recent years, stemming primarily from:
  a) Significant underpayment of assigned apportionments ($84,000 in 2018)
  b) Failure of churches to pay their clergy’s required pension and/or health insurance benefits ($22,000 in 2018, $28,000 in 2019)
  c) Failure of churches to pay the required property insurance premiums ($8,000 in 2018).

These budget deficits have compelled the Conference to pay from its rapidly diminishing reserves. Shift in status to a Mission District will not help to alleviate these shortfalls.
- Some areas of our budget may find benefit in being aggregated with the rest of the PNW Conference, but would not be eliminated. There could be some administrative savings and some shared costs in PNW, however much of that is already happening. This includes expenses regarding:
  o Episcopal Housing (cost shared between AK, PNW, and OR-ID to cover housing for the Bishop)
  o Annual Conference Session (provides funds to cover costs of AC)
  o Area Expense Fund (cost shared between AK, PNW, and OR-ID to cover office expense for the Bishop)
  o Conference Journal (provides printing costs, etc.)
  o Office of the Treasurer (provides administrative funds for the Council and the annual contract cost for Treasury and financial services)
  o Professional Ministries Unit (provides funding for Professional Church Workers retreat, Ethics Training, New clergy orientation, unit administration, etc.)
  o Delegate Expense Fund (provides part of cost for sending general and jurisdictional delegates to quadrennial meetings)
  o Quadrennial Training Travel (provides funding for training programs of the general and jurisdictional conferences that are held at the beginning of each quadrennium)
  o Communications (provides for conference website and other communications)
  o Conference Outdoor Ministries (provides funding for program expenses for the committee and funds for Birchwood and Eagle River)
  o Conference Secretary of Global Ministries (provides travel expense to attend annual meeting of Western Jurisdictional Conference Secretary’s of Global Ministries meeting)
  o Coordinator of Disaster Preparedness (provides funding for the conference coordinator to work with other disaster agencies)
Summary of Financial Implications – The financial health of the conference is not the main reason we are seeking to become a Mission District. We believe that becoming a Mission District will not have many negative effects on our financial health. However, we also believe that becoming a Mission District will not have many positive effects on our financial health. Nonetheless, it is important to think through potential financial implications. Regardless of if we become a Mission District or not, we do have significant work to do in organizing our finances for ministry in a way that is sustainable for the future.