

Subject: Proposed amendment to Canon 7, section 4(a)

Proposed by: Standing Committee

Section 4. Apportionments. Apportionments to be paid by all congregations shall be determined in the following manner:

- (a) The Executive Council shall determine annually a percentage factor to be paid from Net Operating Income of all congregations for support of Diocesan Mission and Ministry. The apportionment shall be a percentage of the average of the previous three reported years' Normal Operating Income, net of any deductions from Normal Operating Income the Executive Council may authorize.

Explanation: Many congregations of the Diocese of Indianapolis applied for and received funds from the Paycheck Protection Program (PPP) as part of the emergency financial relief provided for in the CARES Act and successor legislation. These loans convert to grants upon satisfaction of certain conditions.

The instructions for the annual Parochial Report, where the Normal Operating Income used to calculate the apportionment is reported, are clear that upon conversion to a grant, PPP proceeds are to be reported on line 5 (other income). That means PPP proceeds would become subject to apportionment. This is problematic for at least two reasons:

- 1) The design of the apportionment calculation is intended to allow the apportionment to slowly rise or fall as the structural financial capacity of a congregation changes. PPP proceeds are better thought of as a form of disaster relief funding that do not reflect a congregation's structural financial capacity.
- 2) Authorized uses of PPP funds were payroll and benefits, utilities, mortgage interest, and certain other qualified expenses. Diocesan assessments are not among those qualified expenses, so subjecting PPP funds to apportionment is contrary to the intent of the program.

The proposed amendment to the canon provides Executive Council the flexibility not only to deduct PPP funds from Normal Operating Income for the purposes of the apportionment calculation, as well as any future unusual conditions that may warrant such action.