

New Archdiocesan Assessment Method

On November 4th, 2017, the Archdiocesan Assembly of the Archdiocese of Pittsburgh and Western Pennsylvania, held in the city of Homestead, PA, passed as a resolution, the adoption of a new policy for the funding of the Archdiocese. This new method of funding is fundamentally different than anything she has done in the past. This being the case, there may be a number of questions people have about these changes. The following will hopefully, address some of those questions, and will attempt to explain clearly, how the new system works, and why the change was made.

Why did we need to change?

For decades, the National Church, our Orthodox Church in America, and our Archdiocese have acquired their funding by assessing each parishioner in the parishes a certain amount of money regardless of income. The parishes also often included their own assessment, and the combined amount owed per year made one a member in good standing. This system was commonly known as a “dues” system. Anyone familiar with social clubs and labor unions is familiar with a “dues” system. The fact that it was used for the funding of Churches in the US is understandable given the lack of outside funding from mother Churches, and a need to have some sort of consistent means by which the parishes and dioceses got their needed funds. It is however, not a historical method for funding Churches. It also gives a false impression about what constitutes membership in the body of Christ.

What were the options?

The committee in charge of devising a new proportional method explored several options. The simplest idea was to use a flat percentage across all parishes. This would be simple, and in many ways a very fair option. Several problems became apparent with this idea, however.

The current assessments within the Archdiocese cover a wide range of effective rates. Some of the larger parishes are paying as much as 18.5% of their gross revenue to the support of the Archdiocese, and many of the small to moderate sized parishes paying close to 8%. Finding a single percentage that would work for all of them at the present time would simply be impossible.

We then explored the idea of two different rates. One for parishes with smaller revenue, and another for parishes with higher revenue. This was slightly better in terms of lessening the burden on the small parishes, since we could give them a lesser rate.

However, this introduced a new problem. Since there was only two rates, and the higher had to be significantly higher than the other to raise the needed Archdiocesan funds, the jump from one bracket to the other places an extremely high burden on such parishes.

After some work on both of these methods, we realized that something more complicated might be needed in order to move to a proportional assessment method. So what did we come up with?

The New Method

The method that seems to work the best for our situation in the Archdiocese is a “progressive” system, going up incrementally with the Parish’s revenue.

The rate schedule is:

Archdiocesan Entities Rate Chart	
8%	\$0 to \$50,000
12%	\$50,001 to \$100,000
15%	\$100,001 to \$150,000
18%	\$150,001 to \$200,000
20%	\$200,000 and up

The calculation works much like the US income tax, in that the percentage is only applied to the money within its bracket. This means that according to the above schedule the first \$50,000 of your Eligible Income is assessed at 8%; the next \$50,000 (\$50,001 through \$100,000) of income are assessed at 12%; the next \$50,000 (\$100,001 through \$150,000) of income are assessed at 15%; the next \$50,000 (\$150,001 through \$200,000) of income are assessed at 18%; and any Eligible Income of \$200,001 or above are assessed at 20%.

In order to not create too heavy a burden on parishes whose income falls into the 20% bracket, no matter the final effective rate based on calculation, **the actual effective rate will be capped at no more than 15%.**

Deductions

Since total income received by the parish can often include things that should not be included as revenue for the parish to spend, this new system includes several deductions to lower the income assessed (referred to by the policy as “Eligible Income”).

Eligible Deductions are:

- Capital Campaign Contributions (Building Fund);
- Donor Restricted Contributions;
- Cemetery Upkeep Contributions;
- Candle/Flower Donations;
- Pass-Through Recorded Income;
- Charitable Expenses;
- Investment Income recorded to respective Restricted Fund
- Debt Payments

For a more detailed explanation of these deductions please refer to the full document (available on the Archdiocesan Website, www.ocadwpa.org)

Transition and Stability

Due to the nature of this change, Archdiocesan revenue could fluctuate wildly, both during the transition away from the old assessment system, and in the years to come. Therefore, regardless of the newly calculated effective rate percentage, **the change will be no more than 15% real dollar change from the prior year assessment.** This limitation expires three years past the implementation

Conclusion

This probably does seem a bit confusing, and admittedly, it's certainly a bit more complicated than the dues method. But remember that this calculation only needs to be done by the parish once a year. Additionally, the Archdiocese is going to make this as easy as possible. In the coming weeks, we'll be posting an assessment calculator on the Archdiocesan website, so that all the parish treasurer needs to do is plug in their final Eligible Income for the parish and the website will do all the math. Also, any specific questions any parish treasurers have regarding any deductions can be emailed to assessment@ocadwpa.org. The Archdiocese is going to be making every effort to make this new assessment policy transition as smooth as possible.

Example

Let's look at an example, and how the assessment will work on the new policy, and how it compares to the old assessment.

A parish who had a revenue last year of \$107,510, and paid an assessment of \$12,886. This amount was 11.98% of their total revenue (this is commonly known as the "effective rate"). Under the new policy, the calculation would be as follows. The first \$50,000 of revenue would be assessed at 8%, coming to \$4,000. The next \$50,000 would be assessed at 12%, coming to \$6,000. The last \$7,510 of revenue would be assessed at 15%, coming to \$1,126.50. This would bring the total assessment for the next year to:

Bracket & Amount	Calculation	Rate	Due
1 st Bracket: \$50,000	\$50,000	8%	\$4,000 +
2 nd Bracket: \$50,000	(\$100,000 – \$50,000)	12%	\$6,000 +
3 rd Bracket: \$7,510	(\$107,510 – \$100,000)	15%	\$1,126.50 +
4 th bracket: \$0	\$0	18%	\$0 +
Final Bracket \$0	\$0	20%	\$0 =

Total Assessment Due = **\$11,126.50**
 ÷ 12 Months

Monthly Assessment Payment = \$927.21

In this example, the Effective Rate of the Eligible Income is **10.35%**

This is a 1.63% reduction of this parish's effective rate!