Diocesan Assessment Review Task Force

(posted 3/7/2006)

Introduction
The idea of contributing our fair share for the good of the community is a core value based on Scripture and Church teaching. Nevertheless, many parishes have occasionally observed that some relatively prosperous entities seem to have been assessed less than some that seem to be struggling. Much concern has stemmed from a lack of familiarity with the formula used in determining assessments and the reporting process. The nagging question stood: "Has it been fair?"

A critical review of the entire process was called for.

Background
First, since any process can only be as fair as the numbers it uses to produce results, a new chart of accounts and structure for parish financial reporting had to be put into place. This has been a challenging, but necessary, task for every parish. Hopefully, the frustrations over unfamiliar procedures have subsided and the advantages of the new system are becoming clearer. Procedures that are standardized — without being too fussy — are necessary for accuracy and fairness.

Second, the formula used to determine the assessments had to be reviewed. It was important that a broad spectrum of opinions and experience be brought to the table. A committee of pastors and laypersons with a variety of years and types of pastoral experience was formed and has met on a regular basis since last summer.

Fair principles needed to be established that represented a clear and transparent process. Parish income is to be used to support the ministry common to all parishes. In regard to all the expenses common to any parish (ministries of liturgy, teaching, charity, etc.), all parishes are equal. The major difference between parishes is that some have parochial schools and some do not. Also, some parishes have income that is restricted for purposes that do not affect ordinary ministry and should be taken into consideration.

Goals
The committee had several goals:

- The assessment is based on funds available for operating purposes.
- It must be fair and equitable.
- Validate restricted income and what qualifies as donor restricted income.
- Consistent guidelines for parish reporting and income/expense classification.
- Equitable treatment of school/non-school parishes.

Calculation of Assessment - Formula
Total parish revenue (based on new account definitions)
Less:

1. Restricted investment income
2. Restricted contributions
3. 96% of the school subsidy amount
4. Prior years assessment

Equals the assessment basis for the parish.

The assessment basis for each parish in the diocese is totaled and the individual parish basis divided by the diocesan total determines the percent of the diocesan assessment goal allocated to the parish.

Rationale:

1. **Restricted investment income and**
2. **Restricted contributions**
   These are monies that must be set aside and not used as ordinary income for ministry common to all parishes.
3. **96% of the school subsidy amount**
   This subsidy is an attempt to equalize all parishes, whether they have a parish school or not. All parishes must teach religion. Those parishes with schools accomplish this through their core curriculum along with the other subjects. It was estimated the cost of running a school religious education program represents about 4% of the cost of running a school. The other 96% represents the cost of other school programs. The 4% is excluded from the school subsidy amount so that all parishes get equal "credit" for teaching religion. This is why only 96% of the school subsidy is removed for the calculation.

   This equalization makes it unnecessary to include either the net gain or the net cost of religious education programs.
4. **Prior year's assessment**
   The prior year's assessment is now deducted from income. The amount collected for the assessment is part of the base parish income figure and not a special collection. The committee believes that if a parish is able to collect more than their assigned assessment goal, the additional income should be assessed. On the other hand, if a parish is unable to collect their assessment, the parish will not be taxed on the other revenue source used to pay the difference.

Other Comments
Previously all special collections showed up in the income figure reported by the parishes and were then backed out for assessment calculation purposes. Now only diocesan sponsored special collections are treated as a pass-through item on the balance sheet and not included in the totals or the assessment calculation.

The committee has agreed to review the treatment of parish sponsored special collections. If they are also truly pass-though items, i.e., the parish does not retain or benefit from these items; the committee may review their treatment and decide to exclude them in the future. This would require a change in the treatment of these items in the chart of accounts and financial statements.

While these new adjustments have resulted in some significant changes in how the assessment goal is shared, it is the committee's belief that it more accurately reflects the changes in a parish's financial position and its available financial resources.

In implementing this new formula, the review committee is cognizant of the financial circumstances experienced this year i.e., special disaster collections, high-energy prices and unusually high self-insurance premium increases.

Still, the committee felt the time to implement these changes was now.

Some parishes will notice an increase of 25% or more, some a decrease of 25% or more. We trust that the new formula fairly reflects the relative prosperity and the struggles of our parishes. For those who will be asked to pay more, it is believed that they have the ability to do so. For those who are being asked to pay less, it is apparent there is need for equitable relief as these parishes face significant fiscal challenges.

Final Note
The committee has spent a considerable amount of time reviewing and debating the final assessment process. The willingness of this group to share their time, insight and expertise has been invaluable and crucial for developing a firm platform to move forward from. Those committee members are listed below and commended for their readiness to assist in the development of a more progressive and equitable process.

Committee Members: (Posted March 7, 2006)

- Gregory J. Keller - Director of Finance
- Msgr. Duane Moellenberndt
- Rev. Stephen Umhoefer
- Rev. D. Stephen Smith
- Rev. Lawrence Bakke
- Rev. Patrick Norris
- Rev. Eric Nielsen
- Daun Maier - Assoc. Director Stewardship & Development