Covenant Shares  
Frequently Asked Questions

Why would the basis include all contributions? Did the committee consider using only general offerings (line 18(e) on the 2017 Consistorial Report Form [CRF])?

Many of the concerns we heard about basing covenant shares on all contributions related to the inclusion of special contributions. Some examples of special contributions include capital campaigns, missions giving, and benevolence. The committee decided that it is best to use all contributions as a way to keep the formula simple and avoid confusion about defining general offerings, thereby reducing the risk for inaccurate reporting of contributions. Using all contributions as the basis treats all contributions the same, regardless of how a church might record contributions for general and special purposes. Collecting contributions for non-profit ministries is a common practice among RCA churches. Therefore, the committee felt that including pass-through contributions in the basis is treating most churches in the RCA consistently.

The committee feels that the limitations to increases from year to year alleviate much of the concern over a significant burden being added due to significant one-time increases, such as capital campaigns, in a church’s contributions.

Contributions are simply the basis by which the amount of covenant shares will be calculated. Covenant shares do not need to be paid from the source that they are based on. Covenant shares will be a budgeted expense for the church and paid for in the same manner as current assessments.

We encourage all churches to use the calculator (available at www.rca.org/covenantshares) to see how covenant shares would compare to the current method.

Why not use total income as the basis?

Some churches have other sources of income, such as building rental income, tuition fees for a daycare or school, investment income, thrift store income or endowment distributions. These other sources of income do not necessarily increase a church’s ability to pay covenant shares. Revenues from programs like this are often needed to cover direct expenses associated with a program. For example, a daycare uses tuition revenue to cover the direct costs of running the daycare.

Also, contributions come from those attending the church and thus, more likely relate to participation with the denomination and its programs.

The Regional Synod of the Heartland used a percentage of income method for one year using total income as the basis. After a year of using this method, the classes asked that contributions be used as the basis rather than total income for the same reasons as mentioned above.

Why not use expenses or spending as the basis?

The committee discussed the option of using expenses as the basis. But the committee felt that contributions are what the church has received and therefore a better indication of a church’s means. Also, expenses would not be as simple to calculate because there might need to be exclusions to get to the final basis.
How will we honor donor’s intent for use of designated gifts if a percentage goes to the denomination in covenant shares?

Using total contributions is simply the basis for which the denomination will calculate covenant shares due to the denomination from each classis. The church does not need to pay covenant shares directly from the contributions used in the basis for calculation. The church can pay it out as an expense just as they do under the current per-member assessment method. The church does not need to use the designated gift to pay the covenant shares to the denomination. The church may use general offerings or other income sources to pay for covenant shares.

The church may choose to pay for covenant shares from the designated gift as long as they inform the donor of this practice.

Currently, newly organized churches gradually build up to paying full denominational assessments over a five-year period. Will this continue?

Currently, the membership of newly organized churches is assessed on a graduated formula based on R-51, approved by the General Synod in 2010. The classis is assessed for the membership of newly organized churches based on the following formula: newly organized churches will pay 20 percent of the full assessment amount the first year of organization, 40 percent in their second year, 60 percent in their third year, 80 percent in their fourth year, and 100 percent in subsequent years. Under the new covenant shares method, the same formula would be followed.

Do classes and regional synods need to convert to a percentage of income method?

No. This new method is for the denominational funding only. However, classes and regional synods may choose to use this new method as well in order to be consistent with the denominational method.

Has a proportional method been proposed and not approved by a prior General Synod?

No. The idea of a proportional method has been brought to General Synod many times. However, an actual proposal for a new method has not been brought as a motion before General Synod.

Have any RCA regional synods or classes changed to a percentage of income method from a per-member method?

Yes. The Regional Synod of the Far West proposed a change to proportional giving in 2011. They have been successfully using this method since it was adopted. Several classes in the Far West have also adopted a similar method. The Regional Synod of the Heartland moved from per-member assessments to a percentage method a couple years ago. They made a few tweaks to the methodology (see “Why not use total income as the basis?”), but they too believe it has been a success in their region. Some classes in the Heartland have also made the change.
Will the Consistorial Report Form (CRF) change?

Yes. Part 1b of the CRF changed in 2018 so that the basis for covenant shares (total contributions) will be clearly identifiable and defined. Other changes were also being made to Part 1b so that the financial information will align with a standard church financial statement.

What about grants from a classis or government agencies?

These will not be included in contributions and therefore, covenant shares would not be based on grant income. Grants from any agency should be reported on the “other income” line on the CRF.

Will income from auxiliary enterprises be included? Examples of auxiliary enterprises include schools, daycares, or thrift stores.

No. We’d like income from these sources to be reported as other income.

Will some churches pay more?

Yes. Some churches would pay more and some churches will pay less than the current per-member system. We believe that basing covenant shares on contributions equitably distributes the denominational funding support because churches are asked to pay according to their means. The implementation to the new method would be gradual and implemented over a period of years so as not to burden a church in one year due to the change in denominational funding method.

Given the General Synod mandate to the Vision 2020 Team, is this the best time to make a significant funding method change?

We are hopeful and confident that God will provide for the RCA. We do not know what the recommendation from the Vision 2020 Team will be, but we are hopeful that it will be a future of a flourishing church, perhaps in a way that we can’t imagine. If we believe that the current funding method is broken, we believe that we should start fixing it now. If we wait until the final report from the Vision 2020 Team, we’ll be two years down the road with the same broken method. Any efforts made to improve our systems while we await the report are not made in vain.

What is the process for making a change in denominational funding method?

The GSC will bring a proposal to General Synod 2019. If approved, the shift to covenant shares will require a change to the bylaws of the General Synod (Chapter 3 of the Book of Church Order [BCO]) which requires approval by General Synod and affirmation by a subsequent General Synod. The Commission on Church Order will evaluate other places in Chapters 1 and 2 of the BCO that mention assessments to determine if further changes should be made, but based on the premise that covenant shares is an income-based form of assessments, the new method can still be adopted without making changes in the BCO to every reference to the word “assessments.” If the Commission on Church Order determines that changes should be made to Chapters 1 or 2 of the BCO, those changes would require approval by General Synod, approval by two-thirds of the classes, and affirmation by a subsequent General Synod.
If the bylaws change is approved by General Synod 2019 and affirmed by General Synod 2020, then General Synod 2020 would also approve the first percentage rate to be used in the calendar year 2021. 2021 is the first possible year that covenant shares could be in effect.

**Will the denomination receive more income under the new method?**

The original percentage proposed will be intended to provide the denomination with the same amount of income as the current per-member method. Under the new method, the income received by the denomination will fluctuate based on contributions received by the local church.

**Will the percentage rate change from year to year?**

The annual rate will require General Synod approval. Eventually, we hope that the percentage rate will stay the same year after year. However, it may fluctuate slightly in the first few years as we adjust to the new financial reporting on the CRF.

**Will there still be a method for petitioning for relief from denominational assessments?**

Yes. The petitioning process for aid adopted by the 1991 General Synod would be updated to apply to covenant shares.

**How will this affect Canadian classes?**

In order to remain consistent with the current practice for collecting assessments in Canadian dollars, Canadian churches will pay covenant shares at a rate of 50 percent of a 12-month average currency differential between the U.S. dollar and the Canadian dollar. The RCA treasurer will calculate the average exchange rate for the prior 12 months as of June 30 each year.