



The State Bar of California

**OPEN SESSION
AGENDA ITEM
54-141 SEPTEMBER 2020
FINANCE COMMITTEE III.D**

DATE: September 8, 2020

TO: Members, Finance Committee
Members, Board of Trustees

FROM: John Adams, Chief Financial Officer

SUBJECT: Office of Finance Mid-Year Budget Variance Report/Projection

EXECUTIVE SUMMARY

This agenda item is presented to the Finance Committee and the Board of Trustees in accordance with the requirements of Section 5.2.1 of the Board of Trustees Policy Manual (referred to as the Board Book), which requires mid-year forecasting and budget-to-actual variance reports to be presented to the Board. This agenda item includes a mid-year analysis of the 2020 budget, including projections for the fiscal year ending December 31, 2020. The reports provide budget to actual variances along with projections on each fund. Where there are variances greater than \$100,000, staff has provided detailed explanations.

BACKGROUND

The 2020 State Bar Budget was approved by the Board of Trustees on January 24, 2020 and submitted to the Legislature in accordance with Business and Professions Code section 6140.1 on February 27, 2020. The budget projected revenues to be \$211.9 million and expenses to be \$242.5 million, resulting in an overall use of reserves of \$30.6 million, which included a planned spend down of bank settlement funds of \$11.7 million and Legal Services Trust Funds of \$11.2 million. The remainder of the use of reserves was mainly in the Lawyer Assistance Fund (which received no fee revenue for 2020 in light of the significant reserve) and the Equal Access Fund. This reflects grant spending in line with prior year income.

DISCUSSION

The mid-year financial projections and variance reports are prepared based on operating results through June 30, 2020. In preparing the financial projection, staff evaluated current revenue and expenses, and took into account the State Bar's financial condition as of December 31, 2019.

The mid-year projection estimates the State Bar will end 2020 with expenses exceeding revenues by \$8.9 million. The overall increase in the use of reserves is due to projected revenues from Interest on Lawyer Trust Accounts (IOLTA) expected to come in under budget by \$16.0 million. The reduced target reflects declining interest rates that are the result of the COVID impact to the economy. This shortfall is partially offset by a favorable variance of \$2.5 million in Legal Services Voluntary Fees. The fee increase did not result in decreased contributions, an assumption that was built into the budget.

The Legal Services Trust Fund had a reserve balance of \$46.9 million as of January 1, 2020. The projection is \$32.6 million for revenue and \$57.2 million for expenses, of which \$55.6 million is for grant expenses. The fund is projected to end the year with a reserve balance of \$22.3 million.

Offsetting the reduced IOLTA income is an amendment by AB 83, a state budget bill, which provides an additional \$31 million for homelessness prevention under Govt Code 12531. These additional funds are reflected in the Equal Access Fund.

The General Fund projection has been revised to reflect an use of reserves of \$0.2 million vs. a \$1.3 million use of reserves that was budgeted. With the fee increase approved for 2020, General Fund use of reserves has been minimized.

2020 Budget-to-Actual Fund Summary Projection Report as of June 30 (ATTACHMENT A)

The 2020 Mid-Year Financial Projection is summarized at the fund level in ATTACHMENT A. The highlights include the following:

General Fund: Projected revenue shortfall of \$2.8 million stemming from licensing fees (\$1.6 million), Investment Income (\$0.4 million), and lease revenue (\$0.2 million). The licensing fees are expected to come in below budget because the budget assumed 231,220 attorneys would be paying their licensing fees. As of June 30, 228,126 had paid. However, the deadline to pay or face suspension was extended from July 1 to October 1. Investment income is projected to come in below budget due to declining interest rates. Rental Income is projected to come in below budget due to rent abatements provided to certain retail tenants during the shelter in place and restrictions on reopening.

Projected savings in expenses is projected at \$3.9 million in personnel (\$2.6 million), Travel (\$0.7 million), and building operations (\$0.4 million). The personnel savings is attributable to vacancies in the first two quarters. The vacancy rate has declined as positions are being filled, especially in Office of Chief Trial Counsel. The travel savings is the result of the

shelter in place and the continued use of video conferencing for all public meetings. Building operations savings are the result of less activity in the buildings.

Table 1 on the following page provides a summary at the revenue category level and Table 2 provides a summary at the expense category level. Overall, the General Fund was budgeted to use \$1.3 million of reserves, but updated projections anticipate only a \$0.2 million use of reserves, which is \$1.1 million better than budgeted and approved by the Board of Trustees.

Table 1: General Fund Revenues

Revenue Category	2020 Annual Budget	Annual Projection	Projected Savings
Mandatory Licensee Fees	\$ 85,073,700	\$ 83,500,000	(\$ 1,573,700)
Other Fees and Revenues	3,029,200	2,350,000	(679,200)
Investment Income	1,858,300	1,500,000	(358,300)
Rental Income	4,198,000	4,022,000	(176,000)
Total Revenue	\$ 94,159,200	\$ 91,372,000	(\$ 2,787,200)

* Excludes Transfers

Table 2: General Fund Expenses

Expense Category	2020 Annual Budget	Annual Projection	Projected Variance
Personnel Costs	\$ 82,117,500	\$ 79,517,500	\$ 2,600,000
Building Operations	5,389,400	5,000,000	389,400
Services	7,498,200	7,498,200	-
Supplies	1,049,400	950,000	99,400
Equipment	6,278,500	6,300,000	(21,500)
Other Expenses	1,534,300	800,000	734,300
Exam Related Expenses	925,900	925,900	-
Payouts and Reimbursements	(1,200,000)	(1,200,000)	-
Indirect Costs	(8,222,900)	(8,222,900)	-
Debt Related	695,100	643,200	51,900
Total Expense	\$ 96,065,400	\$ 92,211,900	\$ 3,853,500

* Excludes Transfers

Legal Services Trust Fund: The 2020 budgeted revenues are \$46.1 million with projections at \$32.6 million, resulting in an unfavorable variance of \$13.5 million. IOLTA income was budgeted at \$40.4 million. With declining interest rates, this projection has been revised to \$24.4 million. (The Board took this projection into account in deciding to continue the 2020 funding as previously approved, and to determine the 2021 IOLTA total distribution amount.) Voluntary donations were budgeted at \$3.8 million, a reduction of the historical amount of \$6.0-\$6.5 million. The reduction was in anticipation of reduced contributions due to the mandatory fee increase. However, donations were not adversely affected by the fee increase; with donations now projected at \$6.3 million, which has already been recorded.

Equal Access Fund: The 2020 budgeted revenues were \$31.3 million but are now projected to be \$30.2 million. The variance is the result of an anticipated \$1.1 million reduction in revenue that would otherwise support the Fund from first paper filing fees in civil cases, under the line item AB 145 Filing Fees.

Admissions Fund: The 2020 budgeted revenues are \$20.9 million with projections at \$21.6 million, resulting in a favorable variance of \$0.7 million. July exam fees are projected to exceed budget by \$0.9 million. This increase will be offset by February exam fees which were \$0.2 million below budget. The increase in July exam applicants is the result of the exam's postponement to October, and the shift to an online exam platform. Please note refunds for the October Exam can be requested for a full refund up to September 8, 2020. Refunds will be processed and reflected in the 3RD quarter financial reports.

Budgeted expenses are \$23.3 million with projections at \$21.6 million, resulting in a favorable variance of \$1.7 million. The savings are driven primarily by the change to the online exam platform for the July exam. Reduced costs are expected for Exam Room Rental, Proctors, Outside Printing, Security and Electricity for a combined \$1.1 million. In addition to exam costs, \$0.6 million of savings are anticipated for personnel costs (\$0.4 million) and travel (0.2 million).¹

The 2020 Budget-to-Actual Fund Summary Projection Report also shows projected reserve levels for each fund based on final operating results from 2019. The General Fund is still projected to be under the 17% target set by the Board's Reserve Policy. In addition, there are several funds that are above 30%, which include: Admissions, Elimination of Bias, Lawyer Assistance Program, Legal Specialization, and Legislative Activities. The reserve policy requires a spending plan for certain funds that have reserves above 30%. As part of the 2021 budget process, staff will develop spending plans for each fund listed above.

¹ This does not take into account additional costs related to the exam, including, among others, costs for ExamSoft to provide two layers of human review of the applicant recordings; additional proctors hired by the State Bar to review applicant recordings following the ExamSoft human review. It also does not take into account revenue and expenses that will be incurred in the implementation of the Provisional Licensure Program.

2020 Variance Report as of June 30 (ATTACHMENT B)

The Budget-to-Actual Variance Report summarizes significant budget variances, both favorable and unfavorable, by comparing actual operating results for revenues and expenses at June 30, 2020 to the year-to-date budget amounts. In accordance with the Board Book, significant budget variances are defined as line item budget-to-actual variances within any cost center that are greater than \$100,000. Significant budget variances are listed and explained in ATTACHMENT B.

This analysis identifies a net of \$41.6 million of individual line items with favorable variance compared to budget through June 30th. \$11.9 million of these favorable variances are reflected in revenue, \$2.5 million explained by Legal Services Voluntary Fees. The remaining variances in revenue are under the primary categories of exam fees and grant income. Most of these variances reflect timing differences between the budget and actuals. \$29.7 million of the favorable variances are in expenses. \$6.9 million of these variances are in personnel costs, including temporary help.

FISCAL/PERSONNEL IMPACT

None

AMENDMENTS TO RULES OF THE STATE BAR

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & OBJECTIVES

Goal: 3. Improve the fiscal and operational management of the State Bar, emphasizing integrity, transparency, accountability, and excellence.

Objective: h - Pursue a two-year fee bill to ensure a balance between accountability and meaningful implementation of important reforms.

RECOMMENDATIONS

Should the Finance Committee concur in the proposed action, passage of the following resolution is recommended:

RESOLVED, that the Finance Committee recommends that the Board of Trustees approve the 2020 Mid-Year Budget Variance and Projection Report in the form presented this day before the Board, for the six months ended June 30, 2020, as certified by the Chief Financial Officer, and on file with the San Francisco office of the State Bar.

ATTACHMENT(S) LIST

- A. 2020 Budget-to-Actual Fund Variance Report
- B. 2020 Variance Report

State Bar of California
 2020 Mid-Year Financial Projection
 Based on Actual Results Through June 30, 2020

Fund Name	Reserve Balance	Revenue			Expense			2020 Totals		Projected Reserve Balance	Projected Reserve Level (%) **	Notes
	12/31/2019	2020			2020			Budget	Projection	12/31/2020	12/31/2020	
		Annual Budget	Annual Projection	Projected Savings	Annual Budget	Annual Projection	Projected Savings	(Rev-Exp) (Surplus/Deficit)	(Rev-Exp) (Surplus/Deficit)			
General Fund	12,624,750	94,888,900	92,101,600	(2,787,300)	96,215,500	92,287,000	3,928,500	(1,326,600)	(185,400)	12,439,350	13%	(1) (2)
Admissions Fund	8,647,668	20,885,600	21,635,600	750,000	23,275,700	21,575,700	1,700,000	(2,390,100)	59,900	8,707,568	40%	(5)
Bank Settlement Fund	20,468,102	69,400	300,000	230,600	11,765,000	11,700,000	65,000	(11,695,600)	(11,400,000)	9,068,102	78%	
Client Security Fund	101,615	15,919,600	15,739,000	(180,600)	15,930,200	15,361,175	569,025	(10,600)	377,825	479,440	19%	
Elimination of Bias Fund	290,522	477,000	400,000	(77,000)	582,800	407,800	175,000	(105,800)	(7,800)	282,722	69%	
Equal Access Fund	8,488,363	31,282,300	61,182,300	29,900,000	32,920,200	32,370,200	550,000	(1,637,900)	28,812,100	37,300,463	115%	(4)
Grants Fund	158,522	128,750	128,750	-	-	50,000	(50,000)	-	78,750	237,272	475%	
Justice Gap Fund	2,971,146	923,200	950,000	26,800	1,004,200	1,004,200	-	(81,000)	(54,200)	2,916,946	290%	
Lawyer Assistance Program Fund	3,693,204	292,800	292,800	-	2,464,900	2,314,900	150,000	(2,172,100)	(2,022,100)	1,671,104	72%	
Legal Services Trust Fund	46,894,624	46,090,800	32,590,800	(13,500,000)	57,255,100	57,180,100	75,000	(11,164,300)	(24,589,300)	22,305,324	39%	(3)
Legal Specialization Fund	4,369,942	2,231,500	2,150,000	(81,500)	2,108,500	1,608,500	500,000	123,000	541,500	4,911,442	305%	
Legislative Activities Fund	488,640	786,200	750,000	(36,200)	919,400	919,400	-	(133,200)	(169,400)	319,240	35%	
SF Tenant Improvement Fund	2,012,877	-	-	-	340,000	340,000	-	(340,000)	(340,000)	(2,352,877)	-692%	
Other Funds:	94,559,471	118,958,400	136,119,250	17,160,850	148,566,000	144,831,975	3,734,025	(29,607,600)	(8,712,725)	85,846,746		
Totals	107,184,221	213,847,300	228,220,850	14,373,550	244,781,500	237,118,975	7,662,525	(30,934,200)	(8,898,125)	98,286,096		

Notes:

1. This summary table includes all revenue, including non-operating such transfers out.

2. General Fund

Projected revenue shortfall of \$2.8 million stemming from licensing fees (\$1.6 million), Investment Income (\$0.4 million), and lease revenue (\$0.2 million).
 Projected savings in expenses of \$3.9 million in personnel (\$2.6 million), Travel (\$0.7 million), and building operations (\$0.4 million)

3. Legal Services Trust Fund

Projected revenue shortfall of \$13.5 million stemming from reduction of \$16.0 million in IOLTA from falling interest rates, partially offset by a favorable variance of \$2.5 million in voluntary fees.

4. Equal Access Fund

Projected revenue surplus of \$29.9 million. An amendment by AB 83, a state budget bill, provides an additional \$31 million for homelessness prevention under Govt Code 12531. This is offset by a projected revenue shortfall of \$1.1 million based on reduced filing fees in civil cases, under AB 145.
 Projected savings of \$0.55 million from \$0.2 million in personnel and \$0.35 million in intrafund allocation costs.

5. Admissions Fund

Projected revenue surplus of \$0.75 million stemming from July exam fees \$0.9 million better than budget, offset by February exam fees \$0.15 million worse than budget.
 Projected savings of \$1.7 million driven primarily by change to the online exam platform for the July exam. Exam Room Rental (\$0.5 million), Proctors (\$0.5 million), Outside Printing (0.2 million), Security and Electricity (\$0.1 million). Aside from the exam, personnel (\$0.4 million) and travel (0.2 million).

These projections do not take into account additional costs related to the exam, including, among others, costs for ExamSoft to provide two layers of human review of the applicant recordings; additional proctors hired by the State Bar to review applicant recordings following the ExamSoft human review.
 They also do not take into account revenue and expenses that will be incurred in the implementation of the Provisional Licensure Program.

Notes: ** Board Reserve Policy specifies that all grant-related Funds are excluded from the Minimum Target Reserve requirement of 17%.
 The Excluded Minimum Target Reserve Funds include Grant, Legal Service Trust, Equal Access, Justice Gap, and Bank Settlement Funds.

STATE BAR OF CALIFORNIA
 2020 BUDGET-TO-ACTUAL VARIANCE REPORT
 BASED ON ACTUAL RESULTS THROUGH JUNE 30, 2020
 REVENUE VARIANCES GREATER THAN \$100,000

	Fund Name	Revenue Category	Fund	Cost Center	Object Code	Account Description	2020 YTD Actual	2020 YTD Budget	YTD Variance Fav (Unfav)	Variance Explanation
1	Administration & Discipline Fund	Licensing Fees and Donations	110	0001	40110	Mandatory Licensee Fees	\$ 79,502,973	\$ 80,196,042	\$ (693,069)	232,000 paying attorneys were assumed for budget development. 228,126 attorneys had paid as of June. On August 14, suspension notices were sent to 4,287 attorneys with a September 30 deadline.
2	Administration & Discipline Fund	Licensing Fees and Donations	110	0001	40310	Penalties-Current Year	668,661	807,166	\$ (138,505)	Suspension has been delayed to September. As more attorneys pay their licensing fees, the gap should be reduced.
3	Administration & Discipline Fund	Law Corporation Registration Fees	110	0001	42120	Late Fee-Law Corp.	34,314	174,472	\$ (140,158)	The seasonality for both the Annual Reports and the associated Late Fee were not captured in the 2020 budget. Annual Report fees are typically due by the end of July; in FY 2019 almost 100% of Year End Annual Report revenue was collected by the end of Q2. Conversely, for Late Fees, only 13% of 2019 Year End revenue had been collected thru June of 2019.
4	Administration & Discipline Fund	Law Corporation Registration Fees	110	0001	42160	Annual Report-Law Corp.	613,286	325,000	\$ 288,286	The seasonality for both the Annual Reports and the associated Late Fee were not captured in the 2020 budget. Annual Report fees are typically due by the end of July; in FY 2019 almost 100% of Year End Annual Report revenue was collected by the end of Q2. Conversely, for Late Fees, only 13% of 2019 Year End revenue had been collected thru June of 2019.
5	Administration & Discipline Fund	Other Revenue	110	8410	42418	Fingerprinting-Late Fees	292,542	15,294	\$ 277,249	Budget was developed based on June 2019 Year to Date. Fingerprinting late fees were newly implemented last spring. This amount understated the non-compliant attorneys that would generate additional late fees.
6	Administration & Discipline Fund	Investment Income	110	0001	47110	Investment Income	208,858	469,502	\$ (260,644)	Investment income is lower due to falling interest rates exacerbated by the COVID recession.
7	Administration & Discipline Fund	Investment Income	110	0001	47210	Unrealized Gain/Loss on Invest	(7,515)	221,981	\$ (229,496)	Investment income is lower due to falling interest rates exacerbated by the COVID recession.
8	Administration & Discipline Fund	Transfers	110	0001	49314	Transfer In From Admissions Fund	725,000	362,500	\$ 362,500	Transfer is allocated across 12 months. The full annual transfer has been executed. The variance will be eliminated at the end of the year.
9	Legal Education and Development Fund	Affinity Insurance Revenue	118	1130	45801	Commissions Received-Insurance	1,260,162	575,799	\$ 684,363	Timing of receipts. There was a \$250K Payment from 2017, plus a Q4 payment from 2019.
10	Legal Education and Development Fund	Affinity Insurance Revenue	118	1120	45802	Life	65,307	367,195	\$ (301,888)	Timing of receipts.
11	Legal Education and Development Fund	Affinity Insurance Revenue	118	1120	45820	Passthroughs	(118,260)	(229,005)	\$ 110,746	Only the Q1 payment was issued in first half of year. Q4 2019 was accrued. Only one of four payments over two quarters.
12	Legal Education and Development Fund	Affinity Insurance Revenue	118	1130	45820	Passthroughs	(118,260)	(400,000)	\$ 281,740	Only the Q1 payment was issued in first half of year. Q4 2019 was accrued. Only one of four payments over two quarters.
13	Legal Education and Development Fund	Affinity Insurance Revenue	118	1140	45820	Passthroughs	-	(480,019)	\$ 480,019	Minimal Affinity income. Budget was too high.
14	Legal Education and Development Fund	Other Revenue	118	1120	45901	All Other Miscellaneous	(150,000)	-	\$ (150,000)	Payment to California Commission on Access to Justice. This will be budgeted in future years.
15	Benefit Reserve Fund	Investment Income	134	0006	47110	Investment Income	141,590	30,581	\$ 111,008	Weighting of investment income allocation.

	Fund Name	Revenue Category	Fund	Cost Center	Object Code	Account Description	2020 YTD Actual	2020 YTD Budget	YTD Variance Fav (Unfav)	Variance Explanation
16	Legal Specialization Fund	Legal Specialization Fees	214	8399	42550	Specialist Annual Fees	1,761,719	1,386,569	\$ 375,150	Most annual fees are collected in the first quarter. The annual budget reflected fees collected as of June 2019.
17	Legal Specialization Fund	Legal Specialization Fees	214	8399	42570	Application Fees	2,450	168,736	\$ (166,286)	The Legal Specialist exam is only delivered in odd numbered years. The budget should have been zero for 2020.
18	Legal Services Trust Fund	Licensing Fees and Donations	228	8223	41110	Voluntary Fees/Donations	6,280,926	3,747,018	\$ 2,533,909	Budget assumed reduced contributions due to the licensing fee increase. Actual contributions remained at their historical levels.
19	Legal Services Trust Fund	Trust Account Revenue	228	8218	44310	IOLTA Revenue	13,276,830	20,206,772	\$ (6,929,942)	With falling interest rates, annual IOLTA income is projected at \$24.4 million vs. \$40.4 million budgeted. The 2021 budget for grant spending will be reduced commensurately. The net asset balance will absorb the reduced income in the 2020 fiscal year.
20	Legal Services Trust Fund	Investment Income	228	8218	47110	Investment Income	555,861	360,000	\$ 195,861	Weighting of investment income allocation.
21	Legal Services Trust Fund	Transfers	228	8223	49232	Trsf In From Justice Gap Fund	1,000,000	500,000	\$ 500,000	The annual budget will match the transfer amount by year end.
22	Equal Access Fund	Grant Revenue	229	8225	44110	Grant Revenue	9,588,200	11,676,400	\$ (2,088,200)	Timing. Year End results will match budget amount.
23	Equal Access Fund	EAF AB 145 Filing Fee Revenue	229	8225	44120	AB 145 Filing Fee - EAF	3,515,332	2,343,550	\$ 1,171,782	The current surplus is due to timing differences between the budget and receipt of payment. However, based on reduced 2020-2021 filing fees we will end the year \$1,061,045 under budget.
24	Equal Access Fund	EAF AB 145 Filing Fee Revenue	229	8225	44130	Ptnr Grant - EAF	2,039,200	1,019,600	\$ 1,019,600	The full annual amount has been received.
25	Equal Access Fund	EAF AB 145 Filing Fee Revenue	229	8225	44140	Ptnr Grant - AB145	520,790	260,400	\$ 260,390	The full annual amount has been received.
26	Equal Access Fund	Other Revenue	229	8225	44210	Grant Administrative Cost Reimb.	173,843	280,900	\$ (107,057)	After moving actuals from 8224, variance will be eliminated.
27	Equal Access Fund	Other Revenue	229	8224	44210	Grant Administrative Cost Reimb.	145,413	-	\$ 145,413	Will transfer to 8225 where the budgeted funds are. This will eliminate the variance.
28	Equal Access Fund	Investment Income	229	8225	47110	Investment Income	181,107	9,250	\$ 171,857	Weighting of investment income allocation.
29	Bank Settlement Fund	Investment Income	237	8229	47110	Investment Income	257,173	34,550	\$ 222,623	Weighting of investment income allocation.
30	Admissions Fund	Multi-Jurisdictional Practice Fees	320	8316	42030	MJP Annual Renewal Fees	648,110	313,200	\$ 334,910	Most of the annual fees are collected in the first quarter. Year to Date amount is close to the annual budget.
31	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	42402	Determination	2,339,677	3,519,812	\$ (1,180,135)	The Year to Date Actual is consistent with the seasonality of the determination fee. The annual amount should close to the budgeted amount.
32	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	42412	Registration as a Law Student	371,161	672,324	\$ (301,163)	Fees are collected about evenly throughout the year. Annual amount is projected to be close to the annual budget.
33	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	43110	Applic. Fees-New February	2,654,150	2,374,137	\$ 280,012	All February fees have been received. The year to date amount is within \$100K of the annual budget.
34	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	43120	Attorney Applic.-New February	1,601,277	1,472,784	\$ 128,493	All February fees have been received. The year to date amount is within \$100K of the annual budget.
35	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	43310	Applic. Fees-New July	5,270,754	4,168,934	\$ 1,101,820	Budget assumed 7,006 applicants vs. 7,943 actual applicants.
36	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	43320	Attorney Applic.-New July	2,125,934	1,541,748	\$ 584,186	Budget assumed 1,785 applicants vs. 2,262 actual applicants.
37	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	43330	Laptop Fee-July	1,402,294	1,106,175	\$ 296,120	Budget assumed 8,226 applicants vs. 9,332 actual applicants.

	Fund Name	Revenue Category	Fund	Cost Center	Object Code	Account Description	2020 YTD Actual	2020 YTD Budget	YTD Variance Fav (Unfav)	Variance Explanation
38	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	43410	1st Year Law Student Exam.-Oct	2,496	142,787	\$ (140,291)	October Exam was postponed to November because of COVID. Exam fees should catch up later in the year.

STATE BAR OF CALIFORNIA
2020 BUDGET-TO-ACTUAL VARIANCE REPORT
BASED ON ACTUAL RESULTS THROUGH JUNE 30, 2020
EXPENSE VARIANCES GREATER THAN \$100,000

	Fund Name	Expense Category	Fund	Cost Center	Object Code	Account Description	2020 YTD Actual	2020 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
1	Administration & Discipline Fund	Personnel Expenses	110	1111	50110	Regular Salaries	\$ 74,324	\$ 258,806	\$ 184,482	Total Recruitment and Retention salaries are on budget. Salaries were erroneously budgeted to the Admin and Discipline Fund. These need to be moved to the Support and Admin Fund, along with any actual salaries.
2	Administration & Discipline Fund	Personnel Expenses	110	2310	50110	Regular Salaries	281,703	423,300	141,597	8.25 FTE budgeted vs. Average FTE of 6.3
3	Administration & Discipline Fund	Personnel Expenses	110	6110	50110	Regular Salaries	11,764,667	12,802,423	1,037,756	276.4 FTE budgeted vs. Average FTE of 259.2
4	Administration & Discipline Fund	Personnel Expenses	110	6110	50130	Special - Other	9,810	536,001	526,191	Budget was an adjustment amount for OCTC salaries.
5	Administration & Discipline Fund	Personnel Expenses	110	6110	50170	Vacation - Cash Out	271,487		(271,487)	Vacation - Cash Out are now captured at the line item level. However, we do not budget for this expense. The large amount is from Chief Trial Counsel.
6	Administration & Discipline Fund	Personnel Expenses	110	6110	50180	Sick - Cash Out	189,949		(189,949)	Sick - Cash Out are now captured at the line item level. However, we do not budget for this expense. The large amount is from Chief Trial Counsel.
7	Administration & Discipline Fund	Personnel Expenses	110	6110	50210	Federal Tax	249,416	979,385	729,969	The Federal Tax (Payroll Tax) was budgeted, but used only in January and February, prior to the ERP conversion. From March going forward, more detailed accounts of FICA, Medicare, and Social Security will be replacing this account.
8	Administration & Discipline Fund	Personnel Expenses	110	6110	50230	Medicare Tax	117,876		(117,876)	This more specific account replaces the former Payroll Tax/Federal Tax line where costs were budgeted for 2020.
9	Administration & Discipline Fund	Personnel Expenses	110	6110	50240	Social Security Tax	504,022		(504,022)	This more specific account replaces the former Payroll Tax/Federal Tax line where costs were budgeted for 2020.
10	Administration & Discipline Fund	Personnel Expenses	110	6110	50250	CalPERS Employer Share	1,427,025		(1,427,025)	This more specific account has been carved out from what was previously bundled under Health (Fringe Benefits)
11	Administration & Discipline Fund	Personnel Expenses	110	8410	50250	CalPERS Employer Share	120,993		(120,993)	This more specific account has been carved out from what was previously bundled under Health (Fringe Benefits)
12	Administration & Discipline Fund	Personnel Expenses	110	8810	50330	Health	122,019	230,355	108,335	The Health line item formerly included multiple components such as the Employer Share of Medical, Dental, and Vision. Each of these are now captured under their own account. Hence the favorable variance.
13	Administration & Discipline Fund	Personnel Expenses	110	8410	50330	Health	219,277	385,909	166,632	The Health line item formerly included multiple components such as the Employer Share of Medical, Dental, and Vision. Each of these are now captured under their own account. Hence the favorable variance.
14	Administration & Discipline Fund	Personnel Expenses	110	6110	50330	Health	2,250,425	4,521,379	2,270,954	The Health line item formerly included multiple components such as the Employer Share of Medical, Dental, and Vision. Each of these are now captured under their own account. Hence the favorable variance.
15	Administration & Discipline Fund	Supplemental Staffing	110	6110	50410	Temporary Outside Help/Contractors	478,838	150,000	(328,838)	Additional temporary help staff have been needed to backfill the vacant positions.
16	Administration & Discipline Fund	Telecommunications	110	0001	51240	Telephone	-	(222,232)	(222,232)	Telephone costs need to be allocated by staff.
17	Administration & Discipline Fund	Professional Services	110	6110	52105	Professional Services	12,868	128,500	115,632	Without trials due to COVID, there has not been a need for expert witnesses.
18	Administration & Discipline Fund	Indirect Costs	110	0001	59110	Interfund Allocation - SF	(2,008,939)	(1,854,406)	154,534	There is a timing difference between the budgeted and actual indirect costs. These will be in sync at the end of the year.
19	Administration & Discipline Fund	Indirect Costs	110	7120	59110	Interfund Allocation - SF	423,187	303,857	(119,330)	There is a timing difference between the budgeted and actual indirect costs. These will be in sync at the end of the year.
20	Administration & Discipline Fund	Indirect Costs	110	6110	59110	Interfund Allocation - SF	8,880,946	8,197,795	(683,151)	There is a timing difference between the budgeted and actual indirect costs. These will be in sync at the end of the year.
21	Technology Fund	Professional Services	119	5420	52105	Professional Services	340,276	200,000	(140,276)	Timing. Annual spending will be on budget.
22	Technology Fund	Professional Services	119	5430	52105	Professional Services	509,163	362,500	(146,663)	Timing. Annual spending will be on budget.
23	Technology Fund	Professional Services	119	5440	52105	Professional Services	-	860,000	860,000	Timing. Annual spending will be on budget.

	Fund Name	Expense Category	Fund	Cost Center	Object Code	Account Description	2020 YTD Actual	2020 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
24	Technology Fund	Computers & Software	119	5420	55480	Equipment - Hardware Purchases	-	300,000	300,000	Timing. Annual spending will be on budget.
25	Support and Administration Fund	Personnel Expenses	123	3110	50110	Regular Salaries	586,939	692,641	105,701	14.0 FTE budgeted vs. Average FTE of 11.5
26	Support and Administration Fund	Personnel Expenses	123	4110	50110	Regular Salaries	1,261,030	1,424,424	163,394	24.0 FTE budgeted vs. Average FTE of 19.0
27	Support and Administration Fund	Personnel Expenses	123	5310	50110	Regular Salaries	1,780,811	2,104,389	323,578	39 FTE budgeted vs. Average FTE of 33.3
28	Support and Administration Fund	Personnel Expenses	123	1111	50110	Regular Salaries	171,582		(171,582)	Total Recruitment and Retention salaries are on budget. Salaries were erroneously budgeted to the Admin and Discipline Fund. These need to be moved to the Support and Admin Fund, along with any actual salaries.
29	Support and Administration Fund	Personnel Expenses	123	5210	50150	Severance	107,356		(107,356)	Severance expenses are now captured at the line item level. However, we do not budget for this expense.
30	Support and Administration Fund	Personnel Expenses	123	5310	50210	Federal Tax	38,981	160,986	122,005	The Federal Tax (Payroll Tax) was budgeted, but used only in January and February, prior to the ERP conversion. From March going forward, more detailed accounts of FICA, Medicare, and Social Security will be replacing this account.
31	Support and Administration Fund	Personnel Expenses	123	4110	50250	CalPERS Employer Share	154,680		(154,680)	This more specific account has been carved out from what was previously bundled under Health (Fringe Benefits)
32	Support and Administration Fund	Personnel Expenses	123	5310	50250	CalPERS Employer Share	211,924		(211,924)	This more specific account has been carved out from what was previously bundled under Health (Fringe Benefits)
33	Support and Administration Fund	Personnel Expenses	123	3110	50330	Health	129,242	244,617	115,375	The Health line item formerly included multiple components such as the Employer Share of Medical, Dental, and Vision. Each of these are now captured under their own account. Hence the favorable variance.
34	Support and Administration Fund	Personnel Expenses	123	4110	50330	Health	237,500	503,058	265,558	The Health line item formerly included multiple components such as the Employer Share of Medical, Dental, and Vision. Each of these are now captured under their own account. Hence the favorable variance.
35	Support and Administration Fund	Personnel Expenses	123	5310	50330	Health	374,229	743,198	368,969	The Health line item formerly included multiple components such as the Employer Share of Medical, Dental, and Vision. Each of these are now captured under their own account. Hence the favorable variance.
36	Support and Administration Fund	Occupancy	123	5510	51210	Electric	101,805	267,050	165,245	The highest electric bills are in July-Oct due to higher air conditioner related energy consumption.
37	Support and Administration Fund	Occupancy	123	5310	51330	Repairs and Maintenance - Equi	32,197	276,500	244,303	Timing. Annual spending will be on budget.
38	Support and Administration Fund	Occupancy	123	5510	51360	Engineering Services	-	232,500	232,500	Invoices are behind. Also, property manager budgeted OT that has not been incurred yet, but will (at least partly) towards the end of the year.
39	Support and Administration Fund	Occupancy	123	5530	51910	Insurance	-	424,500	424,500	All invoices will be paid in the second half of the year.
40	Support and Administration Fund	Professional Services	123	5310	52105	Professional Services	459,940	632,700	172,760	Timing. Annual spending will be on budget.
41	Support and Administration Fund	Other Outside Services	123	3110	52140	Outside services-others	173	150,000	149,827	Budget is for banking fees. This is now captured in a dedicated line item. Budget will be moved to banking fees. The variance will then be eliminated.
42	Support and Administration Fund	Other Outside Services	123	3110	52210	Banking Fees	133,869	-	(133,869)	This was budgeted to Outside Services-others. Budget will be moved to this line item, which will eliminate the variance.
43	Support and Administration Fund	Computers & Software	123	5310	55410	Computer Software Purchase	105,726	223,379	117,652	Timing. Annual spending will be on budget.
44	Support and Administration Fund	Computers & Software	123	5310	55440	Software Maintenance	641,637	1,030,395	388,758	Timing. Annual spending will be on budget.
45	Support and Administration Fund	Computers & Software	123	5310	55470	Equipment - Hardware Purch. Ca	63,305	615,000	551,695	Timing. Annual spending will be on budget.
46	Support and Administration Fund	Computers & Software	123	5310	55480	Equipment - Hardware Purchases	13,987	160,000	146,013	Timing. Annual spending will be on budget.
47	Support and Administration Fund	Indirect Costs	123	0003	59110	Interfund Allocation - SF	(16,480,176)	(15,212,475)	1,267,700	There is a timing difference between the budgeted and actual indirect costs. These will be in sync at the end of the year.

	Fund Name	Expense Category	Fund	Cost Center	Object Code	Account Description	2020 YTD Actual	2020 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
48	Building Fund	Buildings & Equipment	126	5610	55610	Building Improvements	953,452	362,500	(590,952)	More than \$700K of Air Conditioning improvements, which were budgeted in 2019, were paid in 2020.
49	Legal Specialization Fund	Computers & Software	214	8399	55410	Computer Software Purchase	20,568	175,000	154,433	These funds likely won't be spent in 2020.
50	Elimination of Bias Fund	Professional Services	217	8233	52105	Professional Services	-	107,500	107,500	Some projects have slowed due to delays related to COVID-19.
51	Client Security Fund	Supplemental Staffing	227	8720	50410	Temporary Outside Help/Contractors	274	112,500	112,226	The planned use of temporary help for processing additional CSF payments was halted by the pandemic.
52	Client Security Fund	CSF Payments	227	8720	58110	CSF Applications Paid	5,199,759	6,800,000	1,600,241	The office is balancing reducing complaint inventory with keeping the reserve at an acceptable level. Projected spending is \$12.8 million.
53	Client Security Fund	Reimbursements	227	8720	58210	CSF Appli. Reimb./Disc. Costs	(24,791)	(137,500)	(112,709)	There have been fewer reimbursements due to the slowing economy.
54	Legal Services Trust Fund	Legal Services Grants	228	8218	53010	Grants Expenses	13,823,536	27,790,517	13,966,981	Q3 IOLTA grant payments totaling \$13.8 million were posted at the end of June for early July payment. Actuals from cost center 8219 need to be combined under 8218. The combined variances net approximately to this amount.
55	Legal Services Trust Fund	Legal Services Grants	228	8219	53010	Grants Expenses	27,647,072		(27,647,072)	Q3 IOLTA grant payments totaling \$13.8 million were posted at the end of June for early July payment. Actuals need to be combined under 8218 where the grant expenses are budgeted. The combined variances net approximately to this amount.
56	Equal Access Fund	Legal Services Grants	229	8225	53010	Grants Expenses	18,489,574	15,668,361	(2,821,214)	\$5 million Homeless Prevention Grant was received and distributed in Q1 vs. evenly over the year.
57	Equal Access Fund	Other Expenses	229	8224	56809	G&A/Sub-program intrafund allo	-	175,900	175,900	Account won't be used with salary expenses allocated directly to programs.
58	Justice Gap Fund	Interfund Transfers Out	232	8227	69228	Transfer Out To LSTF	1,000,000	500,000	(500,000)	Transfer is allocated across 12 months. The full annual transfer has been executed. The variance will be eliminated at the end of the year.
59	Bank Settlement Fund	Legal Services Grants	237	8228	53010	Grants Expenses	11,111,629	5,772,741	(5,338,888)	The full annual budget was spent in the first half of the year.
60	Admissions Fund	Personnel Expenses	320	8319	50330	Health	147,445	284,779	137,334	The Health line item formerly included multiple components such as the Employer Share of Medical, Dental, and Vision. Each of these are now captured under their own account. Hence the favorable variance.
61	Admissions Fund	Other Outside Services	320	8317	52120	Outside Printing	33,983	140,000	106,017	Reduced printing costs due to the switch to an online exam.
62	Admissions Fund	Exam Room Rental	320	8312	57110	Exam. Room Rental-Feb. GBX	577,122	323,600	(253,522)	The February Exam Room Rental is within \$100K of the annual budget of \$647K. This variance will fall below \$100K by the end of the year.
63	Admissions Fund	Exam Room Rental	320	8312	57130	Exam. Room Rental-July GBX	-	515,000	515,000	July exam was postponed to October and will be mostly online. No services have been provided and will not be billed until after the exam. Billings for services and the payments for them always come after the event.
64	Admissions Fund	Exam & Software Licensing	320	8318	57160	Multi-State Bar Exam.	274,337	378,000	103,663	Timing. Final costs are expected to fall within \$100K of the budgeted amount.
65	Admissions Fund	Exam Graders	320	8318	57520	Graders Book Fee-July	-	151,850	151,850	July exam was postponed to October and will be mostly online. No services have been provided and will not be billed until after the exam. Billings for services and the payments for them always come after the event.
66	Admissions Fund	Exam Proctors	320	8312	57610	Proctors-February GBX	590,488	382,525	(207,963)	Fewer temps were needed combined with a decline in the number of applicants.
67	Admissions Fund	Exam Proctors	320	8312	57630	Proctors-July GBX	-	486,850	486,850	July exam was postponed to October and will be mostly online. No services have been provided and will not be billed until after the exam. Billings for services and the payments for them always come after the event.
68	Admissions Fund	Exam & Software Licensing	320	8312	57720	Laptop License	207,670	343,250	135,580	Timing. Year End results should match budget amount.
69	Admissions Fund	Interfund Transfers Out	320	8310	69119	Trsf. Out To Tech Improv. Fund	725,000	362,500	(362,500)	Transfer is allocated across 12 months. The full annual transfer has been executed. The variance will be eliminated at the end of the year.