

# AGENDA ITEM

141 DECEMBER

**DATE:** December 2, 2011

**TO:** Members, Planning, Program Development and Budget Committee  
Members, Board of Governors

**FROM:** Peggy Van Horn, CFO  
John Chiappetta, Budget Director

**SUBJECT:** Amendment of Board Book re Policy for Adoption and Amendment of Budget

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## EXECUTIVE SUMMARY

This item seeks Board approval to amend the Board Book to update the policy for adoption and amendment of the State Bar's budget. The amendment clarifies the authority of the Board to amend budgets, to adopt non-lapsing project budgets, and to budget according to a simplified fund structure.

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## BACKGROUND

Tab 17 of the Board Book contains the Bar's control policies and procedures including fiscal policies. This item proposes amendments to Tab 17 of the Board Book regarding the policy for adoption and amendment of the State Bar's budget. The existing language might imply that the Board amends the budget only under designated special circumstances. The revised language clarifies that the Board may amend the budget at its discretion, upon the recommendation of the PPDB Committee. The existing language is also silent with regard to when budgets lapse. The proposed amendment clarifies that budgets lapse annually, with the exception of explicitly designated non-lapsing project budgets. Finally, the existing language is unclear with regard to the level of formal adoption and control of the budget. The amendment brings the Board Book into conformity with the existing practice of adopting the budget by fund and specifies that a simplified fund structure may be employed for this purpose.

## DISCUSSION

The current and proposed language for the policy regarding adoption and amendment of the Bar's budget appears below:

### **~~Section 1 — Budget Changes~~**

~~Upon adoption, the annual budget for the State Bar shall remain static. Budget changes may be permitted with the mid-year implementation of a new program or an internal reorganization that materially changes the scope of one or more programs. Any such budget change will first require the approval of the Board Committee on Planning, Program Development, and Budget and the subsequent adoption by the Board of Governors. Proposed budget changes shall be presented in a form consistent with that of the State Bar's annual budget. Transfers between line items will be accepted and executed provided that the net budget for the program remains unchanged. Such transfers will need the approval the Executive Director or his/her designee and do not require Board action.~~

### **Section 1 Adoption and Amendment of Budget**

The Board of Trustees shall adopt, by resolution, an annual expenditure budget for each budgetary fund of the State Bar. The Office of Finance shall ensure that no expenditure is incurred which would cause the total expenditures of any fund to exceed its adopted budget.

The Board of Trustees may, by resolution, amend any adopted budget, upon the recommendation of the Planning, Program Development, and Budget Committee.

Budgets lapse at the end of each fiscal year, except as provided below for project budgets. If the Board of Trustees adopts a multi-year budget, it shall adopt distinct budgets for each fiscal year within the budget period for each budgetary fund.

The Board of Trustees may adopt non-lapsing budgets for multi-year projects. Non-lapsing project budgets shall be identified as such in the adopting resolution.

The budgetary funds of the State Bar shall correspond to the accounting funds of the State Bar, as identified in Section 3, below, or to a combination of such funds. The relationship between budgetary funds and accounting funds shall be identified in the annual budget resolution.

#### **FISCAL / PERSONNEL IMPACT:**

None

#### **BOARD BOOK IMPACT:**

Tab 17, Article 1, Section 1.

## **RECOMMENDATION**

Staff recommends that the Board amend and update the existing policy regarding amendment and adoption of the budget.

## **PROPOSED BOARD COMMITTEE RESOLUTION:**

Should the Planning, Program Development and Budget Committee agree with the above recommendation, the following resolution would be appropriate:

**RESOLVED**, that the Planning, Program Development and Budget Committee recommends that the Board amend Tab 17, Article 1, Section 1 of the Board Book to read as follows:

### **Section 1     Adoption and Amendment of Budget**

The Board of Trustees shall adopt, by resolution, an annual expenditure budget for each budgetary fund of the State Bar. The Office of Finance shall ensure that no expenditure is incurred which would cause the total expenditures of any fund to exceed its adopted budget.

The Board of Trustees may, by resolution, amend any adopted budget, upon the recommendation of the Planning, Program Development, and Budget Committee.

Budgets lapse at the end of each fiscal year, except as provided below for project budgets. If the Board of Trustees adopts a multi-year budget, it shall adopt distinct budgets for each fiscal year within the budget period for each budgetary fund.

The Board of Trustees may adopt non-lapsing budgets for multi-year projects. Non-lapsing project budgets shall be identified as such in the adopting resolution.

The budgetary funds of the State Bar shall correspond to the accounting funds of the State Bar, as identified in Section 3, below, or to a combination of such funds. The relationship between budgetary funds and accounting funds shall be identified in the annual budget resolution.

## **PROPOSED BOARD OF GOVERNORS RESOLUTION:**

Should the Board concur with the Planning, Program Development and Budget Committee's recommendation, the following resolutions would be in order:

**RESOLVED**, that upon the recommendation of the Planning, Program Development and Budget Committee, the Board hereby amends Tab 7, Article 1, Section 1 of the Board Book to read as follows:

### **Section 1     Adoption and Amendment of Budget**

The Board of Trustees shall adopt, by resolution, an annual expenditure budget for each budgetary fund of the State Bar. The Office of Finance shall ensure that no expenditure is incurred which would cause the total expenditures of any fund to exceed its adopted budget.

The Board of Trustees may, by resolution, amend any adopted budget, upon the recommendation of the Planning, Program Development, and Budget Committee.

Budgets lapse at the end of each fiscal year, except as provided below for project budgets. If the Board of Trustees adopts a multi-year budget, it shall adopt distinct budgets for each fiscal year within the budget period for each budgetary fund.

The Board of Trustees may adopt non-lapsing budgets for multi-year projects. Non-lapsing project budgets shall be identified as such in the adopting resolution.

The budgetary funds of the State Bar shall correspond to the accounting funds of the State Bar, as identified in Section 3, below, or to a combination of such funds. The relationship between budgetary funds and accounting funds shall be identified in the annual budget resolution.