

# Agenda Item

142 DEC

**DATE:** December 9, 2011

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

**FROM:** John Chiappetta, Director of Budget

**SUBJECT:** Recommendation to Adopt the 2012 Proposed State Bar Budget

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## Executive Summary

On November 29, staff met with the Planning, Program Development and Budget Committee to receive guidance on developing the 2012 Budget. At the conclusion of the meeting, the PPDB Committee instructed staff to develop a status quo Budget for 2012. The reasons for this decision are discussed in the background section of this agenda item.

## BACKGROUND

Throughout 2011, the Budget Subcommittee worked with staff to develop a plan to provide long range financial stability for the General Fund without the need for an immediate increase in member dues. With the passage of SB 163 in October, the Board is now required to develop a 5 year strategic plan to be submitted to the Legislature by February 15, 2012.

Due to the timing of the fee bill adoption, there was inadequate time for the Board to develop the 5 year plan before the required adoption of a spending plan for 2012. In a meeting with the Planning, Program Development, and Budget Committee on November 29<sup>th</sup>, staff recommended the development of an interim "status quo budget" to be considered and adopted during a special meeting of the Board scheduled for December 21<sup>st</sup>. The status quo budget would provide spending authority until the Board is able to complete its strategic plan in the January Planning Retreat.

Following completion of the Strategic Plan, staff recommends that the 2012 budget be re-adopted to incorporate the priorities identified in the Board's five year plan.

The interim budget incorporates the terms of the recently ratified Memorandum of Understanding with SEIU regarding salary adjustments for the coming year and includes actual rates for the Bar's medical/dental insurance and CalPers retirement contributions. No programmatic changes or new initiatives are assumed.

Outlined below is an overview of the interim 2012 budget.

## **OVERVIEW – ALL FUNDS**

**Revenues:** Bar-wide revenues (excluding interfund transfers) are projected at \$130.8 million as compared with budgeted revenues of \$ 131.8 million for 2011 - a decrease of just under 1%. The major driver of the decrease is the reduction in mandatory dues revenue in the General Fund under the provisions of SB 163.

**Expenditures:** Bar-wide expenditures (excluding interfund transfers) are budgeted at \$133.4 million as compared to \$129.5 million estimated for 2011, an increase of about 3.1%, primarily reflecting budget-to-actual comparison differences. (Due to staff turnover and other sources of savings, actual expenditures are generally a few percentage points lower than comparable budget amounts.)

### **Effect of Deficits on Fund Balances:**

For all funds, 2012 expenditures will exceed revenues by \$2.6 million. However, sufficient fund reserves exist to absorb the overall deficit. A broader discussion of each fund's financial condition will be given at the Board's January planning retreat.

## **OVERVIEW – GENERAL FUND**

**Revenues:** Projected revenues for 2012 are \$58.9 million versus 2011 anticipated revenues of \$61.5 million, principally driven by reductions in mandatory member dues under the provisions of SB 163.

**Expenditures:** Budgeted expenditures for 2012 are \$64.2 million as compared to \$65.2 million in 2011. This decrease is mainly attributable to the one-time transfer of fund balance to the 180 Howard Fund for deferred maintenance projects approved by the Board in 2011, which will not be repeated in 2012.

### **Effect of Deficit on Fund Balance:**

The General Fund is expected to enter 2012 with an uncommitted balance of \$8.0 million. By the end of 2012, this will be drawn down by \$5.3 million to an ending balance of \$2.6 million. If revenues and expenditures continue on their anticipated path under current statutes, we expect the General Fund balance to reach zero in late 2013, and remain at approximately that level through the end of 2014.

## **SUMMARY**

Adoption of the 2012 Proposed Budget will establish interim spending authority to continue the Bar's operations. In February, staff will prepare an amended 2012 budget, incorporating the Board's strategic priorities, for adoption.

### **BOARD BOOK / ADMINISTRATIVE MANUAL**

No impact.

### **RESOLUTIONS:**

#### **Proposed Board Committee Resolution**

If the Committee of Board Operations agrees that the 2012 Proposed Budget be adopted, the following resolution would be appropriate:

**RESOLVED**, that the Committee of Planning, Program Development and Budget recommends that the Board of Governors approve the adoption of 2012 State Bar Budget, in the form attached to these minutes as Attachment A and made a part hereof.

#### **Proposed Board Resolution**

**RESOLVED**, upon recommendation from the Board Committee on Planning, Program Development and Budget, that the Board hereby approves the adoption of the 2012 State Bar Budget in the form attached to these minutes as Attachment A and made a part hereof.