

AGENDA ITEM

54-111 MARCH 2017

DATE: February 12, 2017

TO: Members, Board of Trustees

FROM: Staff

SUBJECT: Report of action taken between Board meetings re Fund 88

On January 16, 2017, the Board Executive Committee considered reallocation of certain non-Sections revenues housed within a Sections family of funds. The monies at issue were within Fund 88. Pursuant to the Bar's reserve policy, adopted March 11, 2016, Sections Funds are categorized as Special Revenue Funds, meaning that although these funds could be accounted for within the General Fund, there is compelling reason to account for the use of these resources separately. Over the past 15 years the Fund 88 balance had grown and was approximately \$2.9 million at the end of 2016.

In 2016, the Chief Operating Officer (COO) began to explore the nature of Fund 88 to better understand its relationship to Sections operations and the source of its large fund balance. While the Office of Education Director responsible for the Fund, along with leadership from the Council of State Bar Sections, appeared to have reached a consensus - about the nature of Fund 88 – that it was non-Sections education revenue - the COO wanted to conduct further analysis and review. The results of that effort indicated that the Fund was inappropriately categorized as part of the Sections Special Revenue Funds, and that it instead represented almost entirely unrestricted General Fund revenue. The COO presented these preliminary findings to the Council of State Bar Sections and no objections were raised. The Planning and Budget and Audit Committees were asked to review the work that staff had done to date on this issue at a joint meeting held on December 12, 2016, and provided feedback and direction in preparation for a formal recommendation to transfer Fund 88 to the General Fund. The Committees concurred with staff's findings and directed them to proceed in their work and present the results to the Executive Committee acting on behalf of the Board of Trustees.

The Executive Committee was asked to approve the recommended transfers from Fund 88. Once completed, these transfers will result in the Fund 88 fund balance totaling \$0, at which point it would be dissolved.

Upon staff's recommendation the Executive Committee, on behalf of the Board of Trustees, approved the following resolution:

RESOLVED, that the Executive Committee, on behalf of the Board of Trustees, hereby adopts and directs staff to implement the following transfers:

1. Transfer \$1,380,184 from Fund 88 to the General Fund.
2. Transfer \$629,730 from Fund 88 to the Sections Funds.
3. Transfer \$89,457 from fund 88 to the Elimination of Bias Fund.
4. Transfer \$238,211 from Fund 88 to the Lawyer Assistance Program Fund.

FURTHER RESOLVED, that the Executive Committee on behalf of the Board of Trustees, authorizes staff to make technical adjustments to the transfers indicated above following the close of the 2016 fiscal year.