



The State Bar of California

OPEN SESSION

AGENDA ITEM

702 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 Midyear 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 midyear forecasting and budget-to-actual variance reports to be presented to the Board. This agenda item includes a midyear 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 Equal Access Fund and the Lawyer Assistance Fund, which received no fee revenue for 2020 in light of the significant reserve. This reflects grant spending in line with prior year income.

DISCUSSION

The midyear 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 midyear 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 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 state budget bill AB 83, which provides an additional \$31 million for homelessness prevention under Gov't Code 12531. These additional funds are reflected in the Equal Access Fund.

The General Fund projection has been revised to reflect a use of reserves of \$0.2 million in contrast with the budgeted \$1.3 million. 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 Midyear 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 under 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 under budget due to declining interest rates. Rental income is projected to come in under budget due to rent abatements provided to certain retail tenants during the shelter-in-place mandate 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 the Office of Chief Trial Counsel. The travel savings is the result of the

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

Table 1 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 less 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 amendment by state budget bill AB 83, which provides an additional \$31 million for homelessness prevention under Gov't Code 12531. Offsetting this increase is 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 under 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 percent target set by the Board's Reserve Policy. In addition, there are several funds that are above 30 percent, 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 percent. 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 those for ExamSoft to provide two layers of human review of the applicant recordings, as well as 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 detailed 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: I. 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 approves the 2020 Midyear 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 filed with the San Francisco office of the State Bar.

Should the Board of Trustees concur in the proposed action, passage of the following resolution is recommended:

RESOLVED, that upon recommendation of the Finance Committee, the Board of Trustees approves the 2020 Midyear 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 filed 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 Midyear 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 | | | (1) |
| | | Annual Budget | Annual Projection | Projected Savings | Annual Budget | Annual Projection | Projected Savings | (Rev-Exp) (Surplus/Deficit) | (Rev-Exp) (Surplus/Deficit) | 12/31/2020 | 12/31/2020 | |
| 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% | (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 \$.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. |