



The State Bar *of California*

OPEN SESSION

AGENDA ITEM

708 JULY 2022

FINANCE COMMITTEE III.A

DATE: July 21, 2022

TO: Members, Finance Committee
Members, Board of Trustees

FROM: Aracely Montoya-Chico, Chief Financial Officer Discussion and

SUBJECT: Approval of 2022 Proposed Budget Amendment

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, which states that the Board may, by resolution, amend any adopted budget, upon the recommendation of the Finance Committee.

This agenda item includes the proposed budget amendment of the 2022 budget, to take effect as of June 30, 2022.

BACKGROUND

The 2022 State Bar budget was approved by the Board of Trustees on February 25, 2022, and submitted to the Legislature in accordance with Business and Professions Code section 6140.1 on February 28, 2022. State Bar-wide revenues were budgeted to be \$244.3 million and budgeted expenses to be \$256.8 million. General Fund revenues were budgeted at \$91.1 million and expenses at \$95.0 million.

DISCUSSION

The proposed budget adjustments were prepared based on actual financial data through June 30, 2022, which includes known revenues and expenditure activities. The purpose of this proposal is to correct inaccuracies in the adopted budget identified subsequent to finalization as well new developments, including the aware of new grant monies as described below:

1. Budget adjustment to correct inaccuracies in the adopted budget consisting of:
 - a. An \$8.7 million increase in grant-related revenues (Equal Access Fund (EAF), Homeless Prevention (HP) II and III). The adjustment will align the budget amounts with the contract terms of the grants.
 - b. A \$21.8 million increase in grant-related expenditures (Bank Grant and HP III). The adjustment will align the budget amounts with the correct grant expenditures for the year.
2. Budget adjustment of \$0.1 million to correct Office of Chief Trial Counsel overtime expenses inadvertently omitted from the adopted budget.
3. Budget amendment to capture new revenue and expenses consisting of:
 - a. A \$4.0 million increase in grant-related revenues for the new 2022 California Housing Finance Agency (CalHFA) grant. This grant was awarded after budget adoption. The term commenced in June 2022. The adjustment will align budget amounts with grant revenues earned for the year.
 - b. A \$9.2 million increase in grant-related expenditures (EAF and CalHFA). The adjustment will align budget amounts with anticipated grant expenditures for the year.

The above proposed adjustments will impact the General Fund, the Bank Settlement Fund, the EAF, and the Grants Fund. The updated reserve balances for each of these funds after amending the revenues and expenses will be as follows:

	12/31/22 Projected Reserve Bal	12/31/2022 Reserve Balance Post Amendment	\$ Difference	% Difference
General Fund	\$ 10,011,979	\$ 9,911,979	\$(100,000)	-1%
Restricted Funds				
Bank Settlement Fund (237)	7,000,343	4,728,243	(2,272,100)	-32%
Equal Access Fund (229)	10,594,665	4,199,349	(6,395,316)	-60%
Grants Fund (312)	10,099,225	571,652	(9,527,573)	-94%

Refer to Attachment A for details of proposed budget amendments and Attachment B for updated reserve balances of affected funds.

FISCAL/PERSONNEL IMPACT

Fiscal/Personnel Impact as described herein and in Attachment A and B.

AMENDMENTS TO RULES OF THE STATE BAR OF CALIFORNIA

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

Updates are being made to this section of the agenda item template to reflect the 2022–2027 Strategic Plan.

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 2022 Proposed Budget Amendment in the form presented this day before the Board, for six months ended June 30, 2022, 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 the Board of Trustees, upon the recommendation of the Finance Committee approves the 2022 Proposed Budget Amendment in the form presented this day before the Board, for six months ended June 30, 2022, as certified by the chief financial officer and filed with the San Francisco office of the State Bar.

ATTACHMENTS LIST

- A.** Proposed 2022 Budget Amendment
- B.** Updated 2022 Reserve Balances

PROPOSED 2022 BUDGET AMENDMENT - BY ITEM

Item	Fund	Cost Center	Account	Account Description	2022 Adopted Budget	Proposed Adjustment	2022 Amended Budget	Explanation
1) Budget Amendment to Correct Technical Inaccuracies:								
1	229	8225	44210	Grant Administrative Cost Reimb. (revenue)	2,190,632	(1,095,316)	1,095,316	To align budget with the 2021-22 Equal Access Fund (EAF) contract revenue recognition pattern.
2	312	8236	44110	Grant Revenue	6,544,444	3,321,227	9,865,671	To align Homeless Prevention II revenue with budgeted disbursements of grant expenses.
3	312	8237	44110	Grant Revenue	19,500,000	6,500,000	26,000,000	To align Homeless Prevention III revenue with budgeted disbursements of grant expenses.
					8,725,911	Total grant-related revenue		
4	237	8228	53010	Grants Expenses	-	(2,272,100)	(2,272,100)	To true-up the third Installment of the Bank Settlement Grant inadvertently omitted from adopted budget.
5	312	8237	53010	Grants Expenses	(6,500,000)	(19,500,000)	(26,000,000)	To correct under-budgeting of 2022 Homeless Prevention III grant expenses.
					(21,772,100)	Total grant-related expenses		
6	110	6110	50140	Overtime (expense)	-	(100,000)	(100,000)	Chief Trial Counsel overtime expense inadvertently omitted from adopted budget.
2) Budget Amendment to Capture Unanticipated Incomes and Expenses:								
7	312	8238	44110	Grant Revenue	-	3,860,000	3,860,000	Addition of CalHFA grant revenue. Grant was awarded after budget adoption and grant term began June 2022.
8	312	8238	44210	Grant Administrative Cost Reimb. (revenue)	-	151,200	151,200	CalHFA Grant Admin Cost Reimbursement revenue. Grant was awarded after budget adoption and grant term began June 2022.
					4,011,200	Total grant-related revenue		
9	229	8225	53010	Grants Expenses	(64,135,226)	(5,300,000)	(69,435,226)	Adjustment to include the EAF 2021 fourth quarter grant expenses that were disbursed in first quarter 2022 and align to 2022 grant disbursement schedule.
10	312	8238	53010	Grants Expenses	-	(3,860,000)	(3,860,000)	CalHFA grant disbursements. Grant was awarded after budget adoption and grant term began June 2022.
					(9,160,000)	Total grant-related expenses		

PROPOSED 2021 BUDGET AMENDMENT - RESERVE FUND BALANCE**ATTACHMENT B**

		2022 Adopted Budget				2022 Budget Amendment		
	Reserve Balance 12/31/21	Revenue	Expense	Indirect Cost	Projected Reserve Bal 12/31/22	Increase/ (Decrease) in Revenue	(Increase)/ Decrease in Expenses	Reserve Bal - Post Amendment 12/31/2022
General Fund	\$ 13,911,190	\$ 91,074,872	\$ (105,763,583)	\$ 10,789,500	\$ 10,011,979		\$ (100,000)	\$ 9,911,979
Restricted Funds								
Bank Settlement Fund (237)	7,139,874	37,500	(108,344)	(68,687)	7,000,343		(2,272,100)	4,728,243
Equal Access Fund (229)	3,533,055	72,460,595	(64,992,926)	(406,059)	10,594,665	(1,095,316)	(5,300,000)	4,199,349
Grants Fund (312)	282,894	26,605,110	(16,647,971)	(140,808)	10,099,225	13,832,427	(23,360,000)	571,652

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