



# The State Bar of California

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## **OPEN SESSION**

### **AGENDA ITEM**

**709 SEPTEMBER 2022**

**FINANCE COMMITTEE III.B**

**DATE:** September 22, 2022

**TO:** Members, Finance Committee  
Members, Board of Trustees

**FROM:** Aracely Montoya-Chico, Chief Financial Officer

**SUBJECT:** Approval of 2022 Midyear Budget Variance Report (including Q2 Financial Report), Projection, and Proposed Budget Amendment

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### **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 variance analysis of the 2022 budget (including Q2 financial statements summary), projections for the fiscal year ending December 31, 2022, and a proposed budget amendment. The reports provide budget-to-actual variances along with projections for each fund. Where there are variances greater than \$100,000, staff has provided detailed explanations.

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### **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.

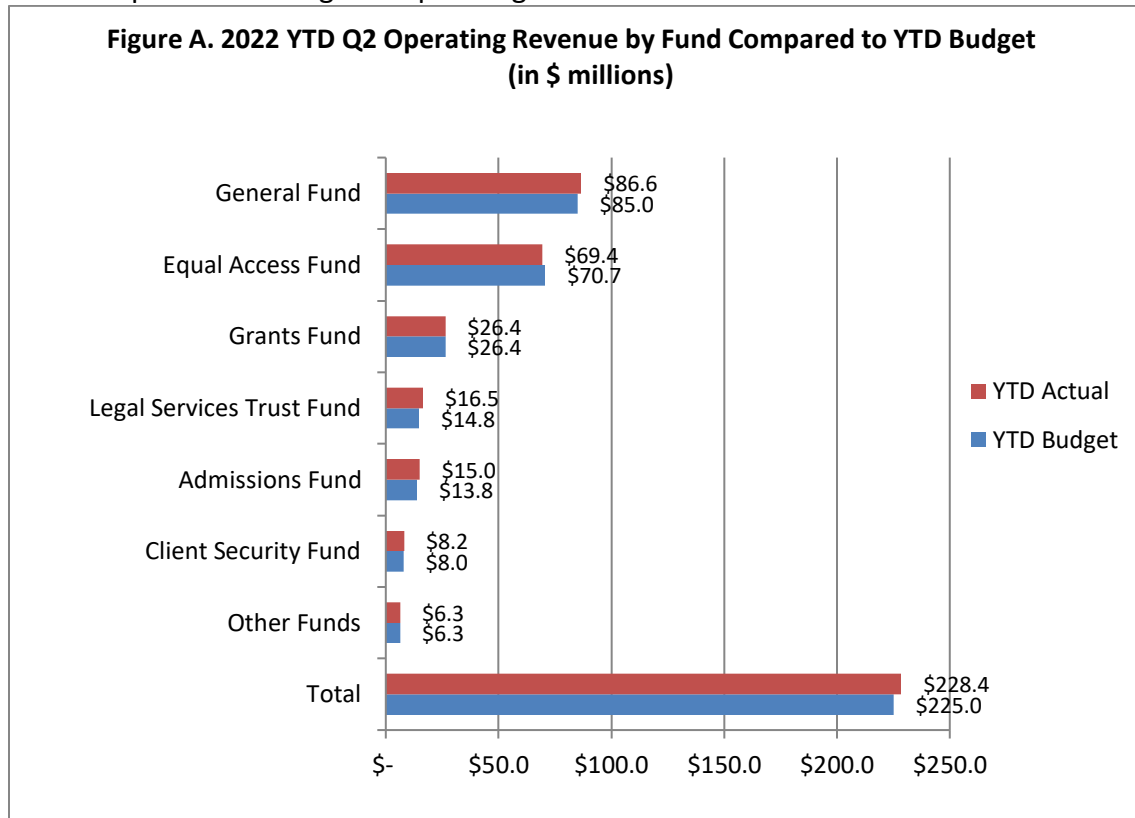
## DISCUSSION

### FINANCIAL STATEMENTS SUMMARY FOR THE SIX MONTHS ENDED JUNE 30, 2022 (ATTACHMENT A)

The financial statements are composed of the operating results for the six months ended June 30, 2022, with information and comparative analysis regarding revenues and expenses.

## REVENUE

Figure A. comparison of budgeted operating revenues versus actuals at the fund level.



Overall, operating revenues totaled \$228.4 million for the six months ended June 30, 2022, \$3.4 million more than budgeted operating revenue of \$225.0 million. The key drivers of the favorable variance are in licensing and exam fees.

Operating revenue for the General Fund totaled \$86.6 million, \$1.6 million more than the budgeted revenue of \$85.0 million. The primary driver is mandatory fees, accounting for \$1.5 million of the variance due to conservative budget estimates on the number of paying attorneys.

Operating revenue for the Equal Access Fund (EAF) totaled \$69.4 million, \$1.3 million less than budgeted revenue of \$70.7 million. The variance is due to a duplicate budget entry for the grant administrative cost reimbursement. This will be corrected via the budget amendment.

Operating revenue for the Grants Fund is on budget at \$26.4 million. The Grants Fund is composed of Homeless Prevention (HP) II and HP III grant revenue and the related administrative cost reimbursements for those grants.

Operating revenue for the Legal Services Trust Fund totaled \$16.5 million, \$1.7 million more than budgeted revenue of \$14.8 million. Interest on Lawyers' Trust Accounts (IOLTA) revenues account for \$1.5 million of the variance due to larger account balances than were assumed in the budget. The budget assumed the top 10 banks, which contribute 90 percent of IOLTA revenue, would have a total average daily balance of \$3.4 billion. Actual average daily balance was \$4.2 billion. The remaining \$0.2 million of the variance is from voluntary fees, the result of more paying attorneys than were assumed in the budget.

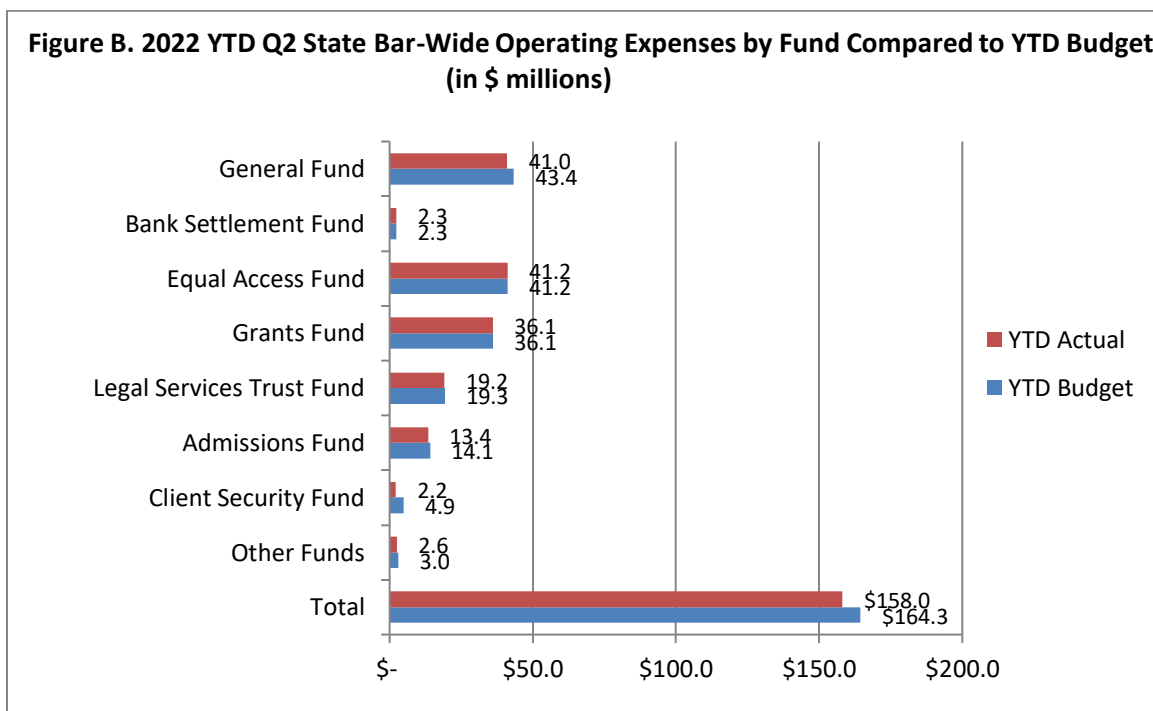
The Admissions Fund revenue totaled \$15.0 million, which is \$1.2 million more than budgeted revenue of \$13.8 million. February exam fees were better than budget by \$1.5 million due to conservative applicant estimates versus actual applicants, while moral character determination fees were below budget by \$0.3 million due to fewer applicants than budgeted.

Client Security Fund (CSF) revenue, which is funded by mandatory licensing fees, is in line with budgeted amount at a \$0.2 million variance.

Other funds' revenues were also in line with budgeted amount with no overall variance.

## EXPENSES

Figure B. comparison of budgeted operating expenses versus actuals at the fund level.



The State Bar's total operating expenses for the six months ended June 2022 were \$158.0 million, \$6.3 million less than the budget of \$164.3 million. The key drivers of expense savings are personnel, building operations, services, and CSF application payments.

General Fund expenses totaled \$41.0 million, \$2.4 million less than budgeted expenses of \$43.4 million. Savings of \$1.4 million in personnel expenses were due to staff vacancies. In addition, building operations expenses were \$1.0 million below budget due to lower occupancy than anticipated as well as deferred maintenance with the pending sale of the San Francisco building.

Bank Settlement Fund expenses were on budget at \$2.3 million.

EAF expenses were on budget at \$41.2 million.

Grants Fund expenses were on budget at \$36.1 million.

Legal Services Trust Fund expenses were in line with budget with a variance of \$0.1 million or less than 1 percent.

Admissions Fund expenses were \$13.4 million, \$0.7 million less than budgeted expenses of \$14.1 million. Savings were from professional services (\$0.3 million) and software maintenance (\$0.3 million). The budget had allocated \$0.2 million under professional services to develop an exam preparation program for first year law students, which will not be spent. Savings in software maintenance are due to a timing difference between the occurrence of the budgeted expense and the actual payments for Salesforce. This variance will diminish each month.

CSF expenses were \$2.2 million, or \$2.7 million less than the budget of \$4.9 million. Most of the variance is due to high level of claims in the current case inventory deemed ineligible for payment, resulting in lower payouts than anticipated.

## **NONOPERATING REVENUES/EXPENSES**

Nonoperating revenues/expenses consists of investment income, rental income, and interest expense on loans. Nonoperating revenues/expenses resulted in net expenses of \$0.5 million, or \$0.9 million lower than budget, mostly due to unrealized investment losses.

## **ATTACHMENTS**

- Attachment 1 – Operating Revenue, Operating Expenses, and Changes in Net Position (State Bar-wide)
- Attachment 2 – Operating Revenue, Operating Expenses, and Changes in Net Position (Non-General Funds)
- Attachment 3 – Variances Year-Over-Year for Operating Revenue, Operating Expenses, and Changes in Net Position (State Bar-wide)
- Attachment 4 – Assets, Liabilities, and Net Position (State Bar-wide)
- Attachment 5 – Assets, Liabilities, and Net Position (Non-General Funds)

## **2022 MIDYEAR FINANCIAL PROJECTION AS OF JUNE 30 (ATTACHMENT B)**

The 2022 midyear financial projection is summarized at the fund level in Attachment B. The projected reserve levels in each fund are computed by adding the net effect of 2022 revenues and expenses to 2021 year-end reserve balances. The midyear financial variance reports are prepared based on operating results for the six months ended June 30, 2022.

The midyear projection estimates that the State Bar will end 2022 with a deficit of \$17.3 million. This is a change of \$13.4 million from the State Bar-wide budgeted operating deficit of \$30.8 million.

**Table 1. 2022 Midyear Projections (fund level)**

in 000s						
	Projected Reserves Bal 12/31/21	2022 Annual Projected Revenues	2022 Annual Projected Expenses	2022 Budgeted Surplus/ (Deficit)	Projected Reserves 12/31/22	Reserve Level (%)
<b>General Fund</b>	<b>\$13,911</b>	<b>\$91,206</b>	<b>(\$94,823)</b>	<b>\$ (3,617)</b>	<b>\$10,294</b>	<b>10.9%</b>
<b>Restricted Funds</b>						
Admissions	10,996	17,146	(25,186)	(8,040)	2,956	11.7%
Bank Settlement	7,140	(45)	(2,442)	(2,487)	4,653	N/A
Client Security	4,014	8,279	(5,191)	3,088	7,102	N/A
Elimination of Bias	310	323	(672)	(349)	(39)	5.8%
Equal Access	3,533	69,933	(70,547)	(614)	2,919	N/A
Grants	283	40,224	(39,973)	251	534	N/A
Justice Gap	3,498	1,152	(1,011)	141	3,639	N/A
Lawyer Assistance Program	1,582	2,144	(2,576)	(432)	1,150	44.6%
Legal Services Trust	29,140	32,347	(37,998)	(5,651)	23,489	N/A
Legal Specialization	6,376	2,292	(2,049)	243	6,619	323.0%
Legislative Activities	313	749	(629)	120	433	68.9%
SF Tenant Improvement	2,282	-	-	-	2,282	0.0%
<b>Restricted Funds Total</b>	<b>\$69,467</b>	<b>\$174,544</b>	<b>(\$188,274)</b>	<b>\$ (13,730)</b>	<b>\$53,455</b>	
<b>Totals</b>	<b>\$83,378</b>	<b>\$ 265,750</b>	<b>(\$283,097)</b>	<b>\$ (17,347)</b>	<b>\$63,749</b>	

N/A: Board Reserve Policy specifies that all grant-related funds (Grant, Legal Service Trust, Equal Access, Justice Gap, and Bank Settlement) and CSF are excluded from the minimum target reserve requirement of 17 percent.

The General Fund reserve-to-expense ratio is projected to be 10.9 percent on December 31, 2022, which falls outside the 17.0 to 30.0 percent target set by the reserve policy. This is a decrease from the projected 14.9 percent upon budget adoption. Projected revenues and expenses did not change significantly from the projections in the adopted budget. The main driver of the decrease in the projected reserve level is the December 31, 2021, balance. Estimates were used to compute the December 31, 2021, reserve balance (\$18.0 million), which was not the final number at the time the budget was finalized. The final number decreased to \$13.9 million, \$4.1 million less than estimated.

In addition to the General Fund, several funds are projected to have reserves outside of the reserve target range of 17 to 30 percent.

#### **Below 17 percent**

*Admissions Fund (11.7 percent)* – As discussed during the budget adoption Board meeting and throughout the year, the Admissions Fund is expected to have a significant deficit, a portion of which is structural. For the current year, the deficit can be readily absorbed by the Admission's Fund healthy balance. Given the projected deficit in 2022, ending reserve balance will decrease as well as the corresponding reserve level.

*Elimination of Bias Fund (-5.8 percent)* – The Elimination of Bias Fund (EOB) is funded by an opt-out fee of \$2 per attorney. The fee was reduced from \$5 pre-separation of State Bar

sections, which has resulted in a decline in revenues over the past few years. However, the State Bar's work in diversity, equity, and inclusion has only increased. Based on projections, the EOB Fund is anticipated to run out of reserves, as the revenue stream is insufficient to support the fund's costs. Ongoing activities will need to be funded from the General Fund.

### **Above 30 percent**

*Lawyer Assistance Program (44.6 percent), Legal Specialization (323.0 percent), and Legislative Activities (68.9 percent)* – The reserve policy requires a spending plan for most funds that have reserves above 30.0 percent. As part of the 2023 budget process, staff will develop spending plans for each applicable fund with a year-end reserve fund balance in excess of 30.0 percent.

Midyear projection highlights include the following:

**General Fund:** Overall, the General Fund has a projected deficit of \$3.6 million, compared to the adopted budget deficit of \$4.0 million. As of midyear, overall projected revenues and expenses shows no significant variance from the adopted budget. Total projected revenues are slightly higher (\$0.1 million) from adopted budgeted revenue, with the primary driver being mandatory fees of \$1.5 million above budget due to conservative attorney headcount estimates. Investment income is projected at \$0.9 million worse than budget due to losses on investments. Rental income is projected at \$0.3 million worse than budget due to COVID-19 rent abatements. Total projected expenses are slightly lower (\$0.3 million) from adopted budgeted expense, with the primary driver being personnel savings from staff vacancies.

**Admissions Fund:** Overall, the Admissions Fund has a projected deficit of \$8.0 million, compared to a budgeted deficit of \$9.0 million. Projected revenue surplus of \$0.6 million is due to exam fees higher by \$1.4 million due to conservative applicant estimates for the February California Bar Exam than actual applicants. Moral character determination is projected at \$0.7 million below budget, as there were fewer applicants than budget. Projected expenses savings are \$0.4, with \$0.6 million savings in services and \$0.2 million expected to be overspent in personnel. The savings in services is primarily due to funds that will not be spent for development of two programs. The overspent in personnel costs is due to overtime and temporary help related to the Bar exams.

**CSF:** Overall, the CSF has a projected surplus of \$3.1 million, compared to a budgeted deficit of \$1.9 million. Projected revenue surplus of \$0.2 million from mandatory fees is due to conservative attorney headcount estimates. Projected expense savings of \$4.7 million is due to high level of claims in the current case inventory deemed ineligible for payment, resulting in lower payouts than anticipated.

**EAF:** Overall, the EAF has a projected deficit of \$0.6 million, compared to a budgeted surplus of \$0.7 million. Projected revenue shortfall of \$1.4 million is due to a duplicate \$1.3 million budget entry for grant administration cost reimbursements. This will be corrected through the budget amendment. There were no significant variances in any expense category.

**Grants Fund:** Overall, the Grants Fund has a projected surplus in line with the budget at \$0.3 million for both projected and budgeted. The slight projected revenue shortfall of \$0.2 million, with an offsetting expense surplus of \$0.2 million, is due to a budgeting error in the California Housing Finance Agency (CalHFA) grant. This will be corrected through the budget amendment.

## **2022 BUDGET-TO-ACTUAL VARIANCE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30 (ATTACHMENT C)**

The Budget-to-Actual Variance Report summarizes significant budget variances, both favorable and unfavorable, by comparing actual operating results for revenues and expenses for the six months ended June 30, 2022, 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 C.

## **PROPOSED 2022 BUDGET AMENDMENT BY ITEM AND BY FUND (ATTACHMENT D)**

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 as part of our midyear budget assessment as described below. To make effective and efficient use of the State Bar's fiscal resources and advance Board adopted goals and objectives, staff proposes midyear budget amendments as follows:

1. Budget amendments to correct inaccuracies in the budget:
  - a. A grant revenue adjustment of \$1.28 million in the EAF. This adjustment is to remove a duplicate revenue entry related to grant administrative cost reimbursement. This will decrease grant revenues in the EAF.
  - b. A grant revenue adjustment of \$180,000 in the Grants Fund. This adjustment is to correct a transposition error for the CalHFA grant. The grant revenue was to be recorded at \$3.68 million but was erroneously recorded as \$3.86 million. This will decrease grant revenues in the Grants Fund.
  - c. A grant expenditure adjustment of \$180,000 in the Grants Fund. This adjustment is related to item b above, however, this adjustment is to account for the grant expense side. The grant expense was to be recorded at \$3.68 million but was erroneously recorded as \$3.86 million. This will decrease grant expenses in the Grants Fund.
  - d. A revenue adjustment of \$175,000 in the General Fund. This adjustment is for the California Lawyers Association, California ChangeLawyers, and Supreme Court Historical Society inadvertently omitted from adopted budget. This will increase revenue in the General Fund.
2. Budget amendments to capture unanticipated changes in income/expense:



- a. A revenue adjustment of \$250,000 in the Legal Education and Development Fund (part of the General Fund). This adjustment is to reflect the quarterly installment of professional liability Insurance. The first quarter payment was withheld due to the discovery of a duplicate payment received in a prior year. This will decrease revenue in the overall General Fund.

These proposed amendments are summarized in Attachment D by item.

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

Fiscal/personnel impact as described herein.

#### **AMENDMENTS TO RULES**

None

#### **AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL**

None

#### **STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS**

None – core business operations

#### **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 Midyear Budget Variance Report (including Q2 Financial Report), Projection, and 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 Midyear Budget Variance Report (including Q2 Financial Report), Projection, and 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. Financial Statements Summary for the Six Months Ended June 30, 2022

- B.** Midyear Financial Projection for the Six Months Ended June 30, 2022
- C.** Budget-to-Actual Variance Analysis for the Six Months Ended June 30, 2022
- D.** Proposed 2022 Budget Amendment by Item

The State Bar of California  
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide  
for Six Months Ended June 30, 2022

	General Fund	Other Funds	2022 Actual	2021 Actual	Variance- 2021 Actual vs 2022 Actual	2022 Budget	Variance- 2022 Actual vs Budget
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	(170,954)	-	(170,954)	308,650	(479,604)	(6)	(170,948)
Continuing Legal Education Fees	395,022	3,562	398,584	457,762	(59,178)	347,700	50,884
EAF AB 145 Filing Fee Revenue	-	11,583,621	11,583,621	7,795,300	3,788,321	11,583,020	601
Exam App. & Moral Char. Fees	-	13,925,049	13,925,049	16,477,015	(2,551,966)	12,784,102	1,140,947
Grant Revenue	-	84,294,290	84,294,290	26,446,662	57,847,628	85,521,322	(1,227,032)
Law Corporation Registration Fees	969,301	-	969,301	1,027,767	(58,466)	952,746	16,555
Legal Specialization Fees	-	1,928,936	1,928,936	1,971,883	(42,947)	1,896,296	32,640
Licensing Fees and Donations	84,819,309	19,557,001	104,376,310	102,808,026	1,568,284	102,729,098	1,647,212
Multi-Jurisdictional Practice Fees	-	791,500	791,500	757,229	34,271	769,400	22,100
Other Revenue	555,884	422,819	978,703	895,187	83,516	571,524	407,179
Trust Account Revenue	-	9,374,065	9,374,065	10,952,280	(1,578,215)	7,875,000	1,499,065
<b>Total Operating Revenue</b>	<b>86,568,562</b>	<b>141,880,843</b>	<b>228,449,405</b>	<b>169,897,761</b>	<b>58,551,644</b>	<b>225,030,202</b>	<b>3,419,203</b>
<b>OPERATING EXPENSES</b>							
Access & Inclusion	291,978	99,156,292	99,448,270	57,722,081	41,726,189	99,644,244	(195,974)
Admissions	-	14,242,250	14,242,250	10,264,731	3,977,519	15,130,660	(888,410)
Attorney Regulation and Consumer Resources	3,140,778	-	3,140,778	2,746,770	394,008	3,264,936	(124,158)
Chief Trial Counsel	28,638,629	-	28,638,629	26,595,560	2,043,069	29,457,428	(818,799)
Client Security Fund	-	2,159,751	2,159,751	2,163,148	(3,397)	4,901,778	(2,742,027)

**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Six Months Ended June 30, 2022**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance- 2021 Actual vs 2022 Actual</b>	<b>2022 Budget</b>	<b>Variance- 2022 Actual vs Budget</b>
General & Administrative	(2,511,463)	-	(2,511,463)	(1,636,628)	(874,835)	(2,603,160)	91,697
Governance	2,277,070	271,441	2,548,511	2,585,959	(37,448)	3,474,521	(926,010)
Lawyers Assistance Program	-	1,189,066	1,189,066	1,236,596	(47,530)	1,256,262	(67,196)
Depreciation	-	-	-	5,378,146	(5,378,146)	-	-
Probation	853,672	-	853,672	795,795	57,877	896,940	(43,268)
Professional Competence	1,638,222	-	1,638,222	1,456,475	181,747	2,006,112	(367,890)
State Bar Court	6,661,486	-	6,661,486	6,492,303	169,183	6,878,190	(216,704)
<b>Total Operating Expenses</b>	<b>40,990,372</b>	<b>117,018,800</b>	<b>158,009,172</b>	<b>115,800,936</b>	<b>42,208,236</b>	<b>164,307,911</b>	<b>(6,298,739)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>45,578,190</b>	<b>24,862,043</b>	<b>70,440,233</b>	<b>54,096,825</b>	<b>16,343,408</b>	<b>60,722,291</b>	<b>9,717,942</b>
<b>NON-OPERATING</b>							
Investment Income	(414,891)	(99,379)	(514,270)	244,060	(758,330)	271,692	(785,962)
Rental Income	1,593,167	-	1,593,167	1,453,352	139,815	1,826,124	(232,957)
Interest Expense on Loans	(277,412)	-	(277,412)	(407,056)	129,644	(403,737)	126,325
Principal Expense on Loans	(1,356,792)	-	(1,356,792)	-	(1,356,792)	(1,356,771)	(21)
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	<b>(455,928)</b>	<b>(99,379)</b>	<b>(555,307)</b>	<b>1,290,356</b>	<b>(1,845,663)</b>	<b>337,308</b>	<b>(892,615)</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>45,122,262</b>	<b>24,762,664</b>	<b>69,884,926</b>	<b>55,387,181</b>	<b>14,497,745</b>	<b>61,059,599</b>	<b>8,825,327</b>

The State Bar of California  
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide  
for Six Months Ended June 30, 2022

	General Fund	Other Funds	2022 Actual	2021 Actual	Variance- 2021 Actual vs 2022 Actual	2022 Budget	Variance- 2022 Actual vs Budget
<b>TRANSFERS</b>							
49314-Transfer In From Admissions Fund	-	100,000	100,000	100,000	-	100,000	-
49410-Interfund Transaction-Revenue	56,496	6,850	63,346	64,011	(665)	-	63,346
69224-Trsf Out To Legal Spec. Fund	-	(100,000)	(100,000)	(100,000)	-	(100,000)	-
69410-Interfund Transaction-Expenses	(59,975)	(3,371)	(63,346)	(64,011)	665	-	(63,346)
<b>TOTAL TRANSFERS</b>	(3,479)	3,479	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	45,118,783	24,766,143	69,884,926	55,387,181	14,497,745	61,059,599	8,825,327
Net Position at beginning of year	40,569,371	65,497,107	106,066,478	92,476,753	13,589,725	-	-
<b>NET POSITION AT June 30</b>	85,688,154	90,263,250	175,951,404	147,863,934	28,087,470	-	-

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2022**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>OPERATING REVENUE</b>														
Affinity Insurance Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Continuing Legal Education Fees	-	-	-	-	-	-	-	3,562	-	-	-	-	-	3,562
EAF AB 145 Filing Fee Revenue	-	-	11,583,621	-	-	-	-	-	-	-	-	-	-	11,583,621
Exam App. & Moral Char. Fees	-	-	-	-	-	-	-	-	-	-	13,925,049	-	-	13,925,049
Grant Revenue	-	-	57,868,048	-	-	-	-	-	-	-	-	26,426,242	-	84,294,290
Law Corporation Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-	1,928,936	-	-	-	-	-	1,928,936
Licensing Fees and Donations	8,156,396	320,670	-	1,106,930	2,134,925	744,075	7,094,005	-	-	-	-	-	-	19,557,001
Multi-Jurisdictional Practice Fees	-	-	-	-	-	-	-	-	-	-	791,500	-	-	791,500
Other Revenue	37,767	-	-	-	-	-	-	51,636	-	-	333,416	-	-	422,819
Trust Account Revenue	-	-	-	-	-	-	9,374,065	-	-	-	-	-	-	9,374,065
<b>Total Operating Revenue</b>	<b>8,194,163</b>	<b>320,670</b>	<b>69,451,669</b>	<b>1,106,930</b>	<b>2,134,925</b>	<b>744,075</b>	<b>16,468,070</b>	<b>1,984,134</b>	<b>-</b>	<b>-</b>	<b>15,049,965</b>	<b>26,426,242</b>	<b>-</b>	<b>141,880,843</b>
<b>OPERATING EXPENSES</b>														
Access & Inclusion	-	312,882	41,234,196	5,508	-	-	19,189,447	-	-	2,346,212	-	36,068,047	-	99,156,292
Admissions	-	-	-	-	-	-	-	886,687	-	-	13,355,563	-	-	14,242,250
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Client Security Fund	2,159,751	-	-	-	-	-	-	-	-	-	-	-	-	2,159,751
General & Administrative	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Governance	-	-	-	-	-	271,441	-	-	-	-	-	-	-	271,441
Lawyers Assistance Program	-	-	-	-	1,189,066	-	-	-	-	-	-	-	-	1,189,066
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Probation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>2,159,751</b>	<b>312,882</b>	<b>41,234,196</b>	<b>5,508</b>	<b>1,189,066</b>	<b>271,441</b>	<b>19,189,447</b>	<b>886,687</b>	<b>-</b>	<b>2,346,212</b>	<b>13,355,563</b>	<b>36,068,047</b>	<b>-</b>	<b>117,018,800</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>6,034,412</b>	<b>7,788</b>	<b>28,217,473</b>	<b>1,101,422</b>	<b>945,859</b>	<b>472,634</b>	<b>(2,721,377)</b>	<b>1,097,447</b>	<b>-</b>	<b>(2,346,212)</b>	<b>1,694,402</b>	<b>(9,641,805)</b>	<b>-</b>	<b>24,862,043</b>

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2022**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>NON-OPERATING</b>														
Investment Income	(3,104)	(330)	(13,110)	(2,899)	(3,380)	(604)	(40,331)	(4,440)	-	(18,596)	(12,586)	-	-	(99,379)
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal Expense on Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	(3,104)	(330)	(13,110)	(2,899)	(3,380)	(604)	(40,331)	(4,440)	-	(18,596)	(12,586)	-	-	(99,379)
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>														
	6,031,308	7,458	28,204,363	1,098,523	942,479	472,030	(2,761,708)	1,093,007	-	(2,364,808)	1,681,816	(9,641,805)	-	24,762,664
<b>TRANSFERS</b>														
49314-Transfer In From Admissions Fund	-	-	-	-	-	-	-	100,000	-	-	-	-	-	100,000
49410-Interfund Transaction-Revenue	5,460	-	-	-	1,390	-	-	-	-	-	-	-	-	6,850
69224-Trsf Out To Legal Spec. Fund	-	-	-	-	-	-	-	-	-	-	(100,000)	-	-	(100,000)
69410-Interfund Transaction-Expenses	(1,852)	-	-	-	-	-	(130)	-	-	-	(1,389)	-	-	(3,371)
<b>Total Transfers</b>	3,608	-	-	-	1,390	-	(130)	100,000	-	-	(101,389)	-	-	3,479
<b>CHANGE IN NET POSITION</b>														
	6,034,916	7,458	28,204,363	1,098,523	943,869	472,030	(2,761,838)	1,193,007	-	(2,364,808)	1,580,427	(9,641,805)	-	24,766,143
Net Position at beginning of year	3,910,275	310,446	3,533,055	3,498,241	1,539,402	296,556	29,096,664	6,363,796	6,224	7,139,874	10,648,525	282,894	(1,128,845)	65,497,107
<b>NET POSITION AT June 30</b>	<b>9,945,191</b>	<b>317,904</b>	<b>31,737,418</b>	<b>4,596,764</b>	<b>2,483,271</b>	<b>768,586</b>	<b>26,334,826</b>	<b>7,556,803</b>	<b>6,224</b>	<b>4,775,066</b>	<b>12,228,952</b>	<b>(9,358,911)</b>	<b>(1,128,845)</b>	<b>90,263,250</b>

**The State Bar of California**  
**Statement of Variances Year-over-Year for Operating Revenue, Operating Expenses, and Changes in**  
**Net Position (State Bar Wide)**  
**Year to Date for Six Months Ended June 30, 2022**

	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance</b>	<b>% Change</b>
<b>OPERATING REVENUE</b>				
Affinity Insurance Revenue	(170,954)	308,650	(479,604)	(155.4)
Continuing Legal Education Fees	398,584	457,762	(59,178)	(12.9)
EAF AB 145 Filing Fee Revenue	11,583,621	7,795,300	3,788,321	48.6
Exam App. & Moral Char. Fees	13,925,049	16,477,015	(2,551,966)	(15.5)
Grant Revenue	84,294,290	26,446,662	57,847,628	218.7
Law Corporation Registration Fees	969,301	1,027,767	(58,466)	(5.7)
Legal Specialization Fees	1,928,936	1,971,883	(42,947)	(2.2)
Licensing Fees and Donations	104,376,310	102,808,026	1,568,284	1.5
Multi-Jurisdictional Practice Fees	791,500	757,229	34,271	4.5
Other Revenue	978,703	895,187	83,516	9.3
Trust Account Revenue	9,374,065	10,952,280	(1,578,215)	(14.4)
<b>Total Operating Revenue</b>	<b>228,449,405</b>	<b>169,897,761</b>	<b>58,551,644</b>	<b>34.5</b>

**OPERATING EXPENSES**

Access & Inclusion	99,448,270	57,722,081	41,726,189	72.3
Admissions	14,242,250	10,264,731	3,977,519	38.7
Attorney Regulation and Consumer Resources	3,140,778	2,746,770	394,008	14.3
Chief Trial Counsel	28,638,629	26,595,560	2,043,069	7.7
Client Security Fund	2,159,751	2,163,148	(3,397)	(0.2)



**The State Bar of California**  
**Statement of Variances Year-over-Year for Operating Revenue, Operating Expenses, and Changes in**  
**Net Position (State Bar Wide)**  
**Year to Date for Six Months Ended June 30, 2022**

	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance</b>	<b>% Change</b>
General & Administrative	(2,511,463)	(1,636,628)	(874,835)	53.5
Governance	2,548,511	2,585,959	(37,448)	(1.4)
Lawyers Assistance Program	1,189,066	1,236,596	(47,530)	(3.8)
Depreciation	-	5,378,146	(5,378,146)	(100.0)
Probation	853,672	795,795	57,877	7.3
Professional Competence	1,638,222	1,456,475	181,747	12.5
State Bar Court	6,661,486	6,492,303	169,183	2.6
<b>Total Operating Expenses</b>	<b>158,009,172</b>	<b>115,800,936</b>	<b>42,208,236</b>	<b>36.4</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>70,440,233</b>	<b>54,096,825</b>	<b>16,343,408</b>	<b>30.2</b>
<b>NON-OPERATING</b>				
Investment Income	(514,270)	244,060	(758,330)	(310.7)
Rental Income	1,593,167	1,453,352	139,815	9.6
Interest Expense on Loans	(277,412)	(407,056)	129,644	(31.8)
Principal Expense on Loans	(1,356,792)	-	(1,356,792)	-
52908-Interest earned on fac. Fees	-	-	-	-
<b>Total Non-Operating</b>	<b>(555,307)</b>	<b>1,290,356</b>	<b>(1,845,663)</b>	<b>(143.0)</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>69,884,926</b>	<b>55,387,181</b>	<b>14,497,745</b>	<b>26.2</b>

The State Bar of California  
Statement of Variances Year-over-Year for Operating Revenue, Operating Expenses, and Changes in  
Net Position (State Bar Wide)  
Year to Date for Six Months Ended June 30, 2022

	2022 Actual	2021 Actual	Variance	% Change
<b>TRANSFERS</b>				
49314-Transfer In From Admissions Fund	100,000	100,000	-	-
49410-Interfund Transaction-Revenue	63,346	64,011	(665)	(1.0)
69224-Trsf Out To Legal Spec. Fund	(100,000)	(100,000)	-	-
69410-Interfund Transaction-Expenses	(63,346)	(64,011)	665	(1.0)
<b>TOTAL TRANSFERS</b>	-	-	-	-
<b>CHANGE IN NET POSITION</b>	69,884,926	55,387,181	14,497,745	26.2
Net Position at beginning of year	106,066,478	92,476,753	13,589,725	14.7
<b>NET POSITION AT June 30</b>	175,951,404	147,863,934	28,087,470	19.0

The State Bar of California  
Statement of Assets, Liabilities & Net Position  
Bar Wide as of June 30, 2022

	General Fund	Other Funds	2022 Actual	2021 Actual	Variance- 2022 v. 2021
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>					
Cash	175,514,996		175,514,996	162,192,170	13,322,826
Investments	14,058,160		14,058,160	65,997,806	(51,939,646)
Accounts Receivable (net of allowances)	587,804	18,039,318	18,627,123	8,303,038	10,324,085
Interfund Rec(Pay)	(112,714,770)	112,709,254	(5,516)	-	(5,516)
Other Assets	10,687,330	23,496	10,710,826	(53,731,912)	64,442,738
Capital Assets (net of depreciation)	102,290,824		102,290,824	100,791,885	1,498,939
Deferred Outflows	12,163,713		12,163,713	14,705,033	(2,541,320)
<b>Total Assets &amp; Deferred Outflows</b>	<b>202,588,058</b>	<b>130,772,069</b>	<b>333,360,127</b>	<b>298,258,020</b>	<b>35,102,107</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	11,281,500	40,508,819	51,790,319	39,415,011	12,375,308
Unearned Income	-	-	-	-	-
Loan Payable	33,727,573	-	33,727,573	18,988,365	14,739,208
Deferred Inflows	42,930,022		42,930,022	2,676,079	40,253,943
OPEB Liability	7,617,010		7,617,010	11,616,834	(3,999,824)
Pension Liability	21,343,799		21,343,799	77,697,797	(56,353,998)
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>116,899,904</b>	<b>40,508,819</b>	<b>157,408,723</b>	<b>150,394,086</b>	<b>7,014,637</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	40,569,371	65,497,107	106,066,478	92,476,753	13,589,725
Change in Net Position	45,118,783	24,766,143	69,884,926	55,387,181	14,497,745
<b>Total Net Position</b>	<b>85,688,154</b>	<b>90,263,250</b>	<b>175,951,404</b>	<b>147,863,934</b>	<b>28,087,470</b>
<b>Total Liabilities &amp; Net Position</b>	<b>202,588,058</b>	<b>130,772,069</b>	<b>333,360,127</b>	<b>298,258,020</b>	<b>35,102,107</b>

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position (Non-General Funds)**  
**As of June 30, 2022**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust	Legal Special.	IT Special Assess.	Bank Settle.	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>														
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	17,696,283	-	-	-	19,079	-	-	-	1,145	322,811	-	18,039,318
Interfund Rec(Pay)	10,114,760	317,891	14,146,496	4,596,764	2,540,871	795,710	26,386,942	7,573,225	6,224	4,775,058	13,726,002	28,858,154	(1,128,845)	112,709,254
Other Assets	3,670	-	-	-	14,967	-	-	661	-	-	4,199	-	-	23,496
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	10,118,431	317,891	31,842,779	4,596,764	2,555,838	795,710	26,406,022	7,573,887	6,224	4,775,058	13,731,346	29,180,966	(1,128,845)	130,772,069
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>														
Accounts Payable and Accrued Liabilities	173,240	(13)	105,361	-	72,566	27,124	71,195	17,083	-	(7)	1,502,393	38,539,877	-	40,508,819
Unearned Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEB Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	173,240	(13)	105,361	-	72,566	27,124	71,195	17,083	-	(7)	1,502,393	38,539,877	-	40,508,819
<b>NET POSITION</b>														
Net Position at Beginning of Year	3,910,275	310,446	3,533,055	3,498,241	1,539,402	296,556	29,096,664	6,363,796	6,224	7,139,874	10,648,525	282,894	(1,128,845)	65,497,107
Change in Net Position	6,034,916	7,458	28,204,363	1,098,523	943,869	472,030	(2,761,838)	1,193,007	-	(2,364,808)	1,580,427	(9,641,805)	-	24,766,143
<b>Total Net Position</b>	9,945,191	317,904	31,737,418	4,596,764	2,483,271	768,586	26,334,826	7,556,803	6,224	4,775,066	12,228,952	(9,358,911)	(1,128,845)	90,263,250
<b>Total Liabilities &amp; Net Position</b>	10,118,431	317,891	31,842,779	4,596,764	2,555,837	795,710	26,406,022	7,573,886	6,224	4,775,058	13,731,346	29,180,966	(1,128,845)	130,772,069

STATE BAR OF CALIFORNIA  
2022 MID-YEAR FINANCIAL PROJECTION  
FOR THE SIX MONTHS ENDED JUNE 30, 2022

ATTACHMENT B

Fund Name	Reserve Balance	Revenue			Expense			2022 Totals		Projected Reserve Balance	Projected Reserve Level (%) **
	12/31/2021	2022 Annual Budget	Annual Projection	Projected Surplus/ (Shortfall)	2022 Annual Budget	Annual Projection	Projected Savings	Budget Surplus/(Deficit) (Rev-Exp)	Projection Surplus/(Deficit) (Rev-Exp)	12/31/2022	12/31/2022
	\$13,911,190	\$91,074,900	\$91,205,500	\$130,600	\$95,074,100	\$94,822,800	\$251,300	(\$3,999,200)	(\$3,617,300)	\$10,293,890	10.9%
General Fund											(2)
Admissions Fund	10,995,945	16,581,900	17,145,500	563,600	25,554,600	25,185,900	368,700	(8,972,700)	(8,040,400)	2,955,545	11.7%
Bank Settlement Fund	7,139,874	37,500	(45,200)	(82,700)	2,449,100	2,441,700	7,400	(2,411,600)	(2,486,900)	4,652,974	N/A
Client Security Fund	4,014,219	8,031,400	8,279,200	247,800	9,898,800	5,191,300	4,707,500	(1,867,400)	3,087,900	7,102,119	N/A
Elimination of Bias Fund	310,446	320,500	323,200	2,700	678,900	672,400	6,500	(358,400)	(349,200)	(38,754)	-5.8%
Equal Access Fund	3,533,055	71,365,300	69,932,700	(1,432,600)	70,699,000	70,547,000	152,000	666,300	(614,300)	2,918,755	N/A
Grants Fund	282,894	40,437,500	40,224,200	(213,300)	40,148,800	39,973,400	175,400	288,700	250,800	533,694	N/A
Justice Gap Fund	3,498,241	1,445,800	1,151,700	(294,100)	1,011,000	1,011,000	-	434,800	140,700	3,638,941	N/A
Lawyer Assistance Fund	1,582,166	2,102,200	2,144,100	41,900	2,601,600	2,576,100	25,500	(499,400)	(432,000)	1,150,166	44.6%
Legal Services Trust Fund	29,139,405	23,731,800	32,347,200	8,615,400	38,050,000	37,997,800	52,200	(14,318,200)	(5,650,600)	23,488,805	N/A
Legal Specialization Fund	6,376,347	2,282,000	2,291,900	9,900	2,097,900	2,049,400	48,500	184,100	242,500	6,618,847	323.0%
Legislative Activities Fund	312,831	731,300	748,800	17,500	635,200	628,600	6,600	96,100	120,200	433,031	68.9%
SF Tenant Improvement Fund	2,281,681	-	-	-	-	-	-	-	-	2,281,681	0.0%
Other Funds:	\$69,467,104	\$167,067,200	\$174,543,300	\$7,476,100	\$193,824,900	\$188,274,600	\$5,550,300	(\$26,757,700)	(\$13,731,300)	\$55,735,804	
Totals	\$83,378,294	\$258,142,100	\$265,748,800	\$7,606,700	\$288,899,000	\$283,097,400	\$5,801,600	(\$30,756,900)	(\$17,348,600)	\$66,029,694	(1)

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

Notes:

(1) Summary table includes all revenue, including non-operating such transfers in/out.

(2) General Fund

Overall projected revenue and expense shows no significant variance from the budget. Mandatory Fees are projected at \$1.5 million above budget due to conservative attorney headcount estimates. Investment income is projected at \$0.9 million worse than budget due to losses on investments. Rental Income is projected at \$0.3 million worse than budget due to COVID rent abatements. There are no significant variances in any expense category.

(3) Client Security Fund

Projected revenue surplus of \$0.2 million from mandatory fees due to conservative attorney headcount estimates. Projected expense savings of \$4.7 million due to high level of claims in the current case inventory deemed ineligible for payment, resulting in lower payouts than anticipated.

(4) Legal Services Trust Fund

Projected revenue surplus of \$8.6 million from IOLTA income is due to more deposits which exceed the 2022 budget assumption. In second half of the year, the recent interest rate increases by the Federal Reserve will have a positive impact. There are no significant variances in any expense category.

(5) Equal Access Fund

Projected revenue shortfall of \$1.4 million resulting from a duplicate \$1.3 million budget entry for Grant Admin cost reimbursements; will be corrected through a budget amendment. There are no significant variances in any expense category.

(6) Justice Gap Fund

Projected revenue shortfall of \$0.3 million in donations. Actual donations fluctuate from year to year and are difficult to estimate.

(7) Grants Fund

Projected revenue shortfall of \$0.2 million with an offsetting expense surplus of \$0.2 million due to a budgeting error in the CalHFA grant; will be corrected through a budget amendment.

(8) Admissions Fund

Projected revenue surplus of \$0.6 million. Exam fees higher by \$1.4 million due to conservative applicant estimates for the February exam than actual applicants. Moral Character Determination is projected at \$0.7 million below budget based less applicants than budget. Projected expenses savings of \$0.4, with \$0.6 million savings in Services and \$0.2 million expected to be overspent in Personnel. The savings in services is primarily due to funds that won't be spent for development of the Mindsets in Legal Education (MILE) program and third day experiment program. The overspent in personnel spending is due to overtime and temporary help related to the Bar exams.

STATE BAR OF CALIFORNIA  
2022 BUDGET-TO-ACTUAL VARIANCE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2022  
REVENUE VARIANCES GREATER THAN \$100,000

ATTACHMENT C

	Fund Name	Revenue Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2022 YTD Actual	2022 YTD Budget	YTD Variance Fav (Unfav)	Variance Explanation
1	Administration & Discipline Fund	Licensing Fees and Donations	110	0001	Admin & Discipline Fund	40110	Mandatory Licensee Fees	\$ 81,706,707	\$ 80,498,045	\$ 1,208,662	Approximately 2,700 more active attorneys paid compared to the budget assumption.
2	Administration & Discipline Fund	Licensing Fees and Donations	110	0001	Admin & Discipline Fund	40210	Prior Years Licensee Fee	476,779	260,900	\$ 215,879	Approximately 2,700 more active attorneys paid compared to the budget assumption.
3	Administration & Discipline Fund	Licensing Fees and Donations	110	0001	Admin & Discipline Fund	40310	Penalties-Current Year	742,133	878,900	\$ (136,767)	The negative variance reflects fewer late payments on licensing fees than the prior year and the budget assumption.
4	Administration & Discipline Fund	Law Corporation Registration Fees	110	0001	Admin & Discipline Fund	42120	Late Fee-Law Corp.	(1,070)	212,748	\$ (213,818)	Late Fees of \$0.1 million were incorrectly recorded in Law Corp renewals in Item #6. Staff will submit an adjusting entry to correct this discrepancy.
5	Administration & Discipline Fund	LLP Registration Fees	110	0001	Admin & Discipline Fund	42140	LLP Renewal	15,025	349,998	\$ (334,973)	LLP renewal cycle begins in August, with an October 1 submission deadline. Approximately two thirds of renewals and payments arrive in September, with the remaining third arriving during October. The budget assumed uniform receipts throughout the year. The variance will self-correct by the end of the year.
6	Administration & Discipline Fund	Law Corporation Registration Fees	110	0001	Admin & Discipline Fund	42160	Annual Report-Law Corp.	840,451	300,000	\$ 540,451	\$0.1 million of the variance is due to the incorrect inclusion of late fees in this account as noted in Item #4. The remainder of the variance is due to the budget allocation which was evenly divided over the year. However, most payments are received in the second quarter as the suspension deadline is in July.
7	Administration & Discipline Fund	Other Revenue	110	0001	Admin & Discipline Fund	45901	All Other Miscellaneous	102,690	-	\$ 102,690	No receipts were budgeted in 2022 due to a budgeting error. The fees are typically \$0.2 million per year. This account consists of administrative fees for collections for third parties such as California Lawyers' Association, CACHangeLawyers.org, and The Supreme Court Historical Society. Staff will submit a budget amendment.
8	Administration & Discipline Fund	Investment Income	110	0001	Admin & Discipline Fund	47210	Unrealized Gain/Loss on Investment	(580,841)	-	\$ (580,841)	Gains and Losses are not budgeted.
9	Legal Education and Development Fund	Affinity Insurance Revenue	118	1120	Group Insurance Programs	45802	Life	1,091,731	732,498	\$ 359,233	The budget for Life Insurance revenue assumed uniform receipts throughout the year. The actual receipts are more heavily concentrated in the first half of the year. The variance will self-correct over the remainder of the year.
10	Legal Education and Development Fund	Affinity Insurance Revenue	118	1130	Professional Liab Insurance	45801	Commissions Received-Insurance	250,000	499,998	\$ (249,998)	Professional Liability Insurance payments are issued to The State Bar in the amount of \$250,000 each quarter. The first quarter payment was withheld due to the discovery of a duplicate payment that occurred in a prior year. Staff will submit a budget amendment to reflect the reduced revenue.
11	Legal Education and Development Fund	Affinity Insurance Revenue	118	1130	Professional Liab Insurance	45820	Passthroughs	(790,354)	(499,998)	\$ (290,356)	The Passthrough is the distribution of Affinity and Insurance Revenue to California Lawyers Association and CalBar Affinity. The budget assumed uniform disbursements throughout the year. The accelerated Life Insurance payment referenced in #9 reflects what was disbursed ahead of the budgeted schedule. The variance will self-correct over the remainder of the year.
12	Building Fund	Rental Income	126	5620	SF Facilities Management	48110	Rental Income	1,394,839	1,627,794	\$ (232,955)	Rents are below budget due primarily due to COVID rent abatement for retail tenants.
13	Client Security Fund	Licensing Fees and Donations	227	8710	Client Security -Asset BU	40110	Mandatory Licensee Fees	8,105,878	7,967,600	\$ 138,278	Approximately 2,700 more active attorneys paid compared to the budget assumption.

	Fund Name	Revenue Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2022 YTD Actual	2022 YTD Budget	YTD Variance Fav (Unfav)	Variance Explanation
14	Legal Services Trust Fund	Trust Account Revenue	228	8218	LSTF Grants	44310	IOLTA Revenue	9,374,065	7,875,000	\$ 1,499,065	IOLTA revenue is better than budget by \$1.5 million primarily due to greater deposits than were assumed in the budget. The budget assumed that the top 10 banks, which contribute 90% of IOLTA revenue, would have an average daily balance of \$3.4 billion. The actual average daily balance was \$4.2 billion. In the second half of the year, there will be a further impact from the recent interest rate hikes by the Federal Reserve.
15	Legal Services Trust Fund	Investment Income	228	8218	LSTF Grants	47210	Unrealized Gain/Loss on Invest	(125,769)	-	\$ (125,769)	Gains and Losses are not budgeted.
16	Legal Services Trust Fund	Licensing Fees and Donations	228	8223	LSTF Asset BU	41110	Voluntary Fees/Donations	6,301,935	6,140,775	\$ 161,160	The favorable variance in voluntary fee/donation is consistent with the higher count of paying attorneys compared to the budget assumption referenced in #1.
17	Equal Access Fund	Grant Revenue	229	8224	Equal Access -Admin	44210	Grant Administrative Cost Reimb.	-	1,278,963	\$ (1,278,963)	This is a duplicate budget entry erroneously included in the budget; will be corrected through a budget amendment.
18	Justice Gap Fund	Licensing Fees and Donations	232	8227	Justice Gap Fund - BU	41110	Voluntary Fees/Donations	996,649	1,202,940	\$ (206,291)	The annual budget (\$1.44 million) reflects the Board's approved scenario. Most of the donations are received in the first half of the year as part of the billing cycle. Donations are projected to remain close to \$1.0 million as not much more are expected to be received in the second half of the year.
19	Justice Gap Fund	Licensing Fees and Donations	232	8227	Justice Gap Fund - BU	41113	Voluntary Fees/Donations – Cy Pres	110,281	-	\$ 110,281	This account captures Justice Gap donations from private parties, generally not attorneys, who have received legal settlements and have opted to donate some or all of their settlement to the Justice Gap Fund. At the time of budget adoption, none were pending, hence no funds were budgeted.
20	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	42402	Determination	2,259,540	2,535,000	\$ (275,460)	Actuals are less than budget due to fewer Moral Character applications.
21	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43110	Applic. Fees-New February	1,789,819	601,000	\$ 1,188,819	Budget was conservative. There were more applicants than were budgeted. Estimates of credits and refunds from the 2021 July ExamSoft issue were too high.
22	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43120	Attorney Applic.-New February	1,097,200	867,000	\$ 230,200	Budget was conservative. There were more applicants than were budgeted. Estimates of credits and refunds from the 2021 July ExamSoft issue were too high.
23	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43140	Laptop Fee-February	545,715	391,000	\$ 154,715	Budget was conservative. There were more applicants than were budgeted.
24	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43310	Applic. Fees-New July	4,479,148	3,707,000	\$ 772,148	Budget was conservative. There were more applicants than were budgeted.
25	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43320	Attorney Applic.-New July	1,374,363	2,284,000	\$ (909,637)	The budget was based on prior year actuals, which included online exam administration. The return to the in-person exam resulted in fewer applicants than expected.

#### REVENUE HIGHLIGHTS

##### Favorable

Mandatory Licensee Fees	\$	1,346,941
IOLTA Revenue	\$	1,499,065
Exam App. & Moral Char. Fees	\$	1,160,785
	\$	4,006,791

##### Unfavorable

Grant Revenue	\$	(1,278,963)
Other unfavorable revenues (net)	\$	(882,074)
<b>Net (Un)Favorable Revenues</b>	<b>\$</b>	<b>1,845,754</b>



**STATE BAR OF CALIFORNIA**  
**2022 BUDGET-TO-ACTUAL VARIANCE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2022**  
**EXPENSE VARIANCES GREATER THAN \$100,000**

	Fund Name	Expense Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2022 YTD Actual	2022 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
1	Administration & Discipline Fund	Professional Services	110	1110	Executive Director	52105	Professional Services	\$ 61,302	\$ 522,725	\$ 461,423	The State Audit fee (\$0.5 million) was budgeted in the second quarter, however, the invoice was received after the second quarter.
2	Administration & Discipline Fund	Personnel Expenses	110	2310	Research & Institutional Acct.	50110	Regular Salaries	525,550	831,738	306,188	16 FTE were budgeted vs. an average 9 FTE January through June. The savings in ORIA are due to vacancies and staff turnover. The office waited until the new chief started to commence key recruitments.
3	Administration & Discipline Fund	Personnel Expenses	110	5710	Attorney Regulation & Consumer Resources	50110	Regular Salaries	981,614	1,165,938	184,324	33 FTE were budgeted vs. an average 27 FTE January through June for ARCR. Four positions under MCLE Provider were transferred to the Office of Professional Competence in March, resulting in fewer positions funded by the office in addition to turnover within the office.
4	Administration & Discipline Fund	Personnel Expenses	110	6110	Chief Trial Counsel	50110	Regular Salaries	12,332,357	12,649,290	316,933	289 FTE were budgeted vs. an average 271 FTE January through June for OCTC. Vacancies are due to high turnover in attorney and investigator positions.
5	Administration & Discipline Fund	Personnel Expenses	110	6110	Chief Trial Counsel	50180	Sick Accrual Benefits	221,861	-	(221,861)	Sick Accrual is not a budgeted line item, as it's difficult to estimate the utilization. Actual use of paid sick leave is captured under this account instead of salaries. However, all regular salaries, including paid time off, are budgeted within the salaries line.
6	Administration & Discipline Fund	Personnel Expenses	110	6110	Chief Trial Counsel	50381	Telecommuting Subsidy	26,150	153,552	127,402	Cell phone subsidy was budgeted at \$50/month per employee, however it was not implemented until May. In addition, the home office subsidy was budgeted at a higher amount but actual subsidy was \$150 per employee.
7	Administration & Discipline Fund	Professional Services	110	6110	Chief Trial Counsel	52105	Professional Services	74,981	207,498	132,517	Chief Trial Counsel is underspent in outside examiner, expert witness retention, and translations due to several large cases which are delayed. The other driver is a delay to Alyse Lazar audits which are expected in the second half of the year.
8	Administration & Discipline Fund	Professional Services	110	6110	Chief Trial Counsel	52360	Witness Fees	983	115,500	114,517	The Chief Trial Counsel budget assumed that spending would be uniform across the year. Costs for witness fees are below budget due to several large cases, which are delayed as of Q2.
9	Administration & Discipline Fund	Professional Services	110	8810	Professional Competence	52105	Professional Services	23,370	250,002	226,632	Spending on Closing The Justice Gap has been stopped due to legislative action. The legislature is re-assessing this as a spending priority as part of the 2023 fee bill. Further, spending on e-learning development has been delayed due to a vacant position that will lead this initiative.
10	Administration & Discipline Fund	Personnel Expenses	110	0001	Admin & Discipline Fund	50110	Regular Salaries	-	128,076	128,076	The Office of Regulation has not been created as of Q2, as such, no salaries have been incurred.
11	Technology Fund	Professional Services	119	5440	Case Management System	52105	Professional Services	429,000	790,002	361,002	The budget contains \$0.8 million for Tyler Case Management System enhancements, for which there has been no spending to date and approximately \$0.1 million is expected to be spent remainder of year. The expenditure incurred has been entirely for Polytrific.
12	Technology Fund	Professional Services	119	5480	Attorney Regulation Information System	52105	Professional Services	561,813	-	(561,813)	This line item was not budged as the Licensing Information Management System is loan funded.
13	Support and Administration Fund	Personnel Expenses	123	3110	Finance	50110	Regular Salaries	562,329	700,710	138,381	14 FTE were budgeted vs. an average 11 FTE January through June for Finance. Vacancies have been backfilled with temporary staff.
14	Administration & Discipline Fund	Personnel Expenses	123	3110	Finance	50410	Temporary Outside Help/Contractors	121,848	19,998	(101,850)	Use of salary savings in Finance referenced in Item #13 were used to backfill vacant positions, as such, there were more expenditures on temporary staff.
15	Support and Administration Fund	Personnel Expenses	123	4110	General Counsel	50110	Regular Salaries	1,076,972	1,413,876	336,904	24 FTE were budgeted vs. an average 14 FTE January through June for General Counsel. The vacancies are due to staff turnover, combined with recruitment challenges for both attorneys and support staff.
16	Support and Administration Fund	Professional Services	123	4110	General Counsel	52105	Professional Services	399,818	192,000	(207,818)	There is increased spending on outside counsel to absorb the workload of vacant positions within General Counsel (item #15) in addition to increased spending on two high profile litigation matters (Roe, John; Tyler Technologies).
17	Support and Administration Fund	Personnel Expenses	123	5310	Information Technology	50110	Regular Salaries	1,885,509	2,216,862	331,353	46 FTE were budgeted vs. Average 38 FTE January through June for IT. Before starting recruitments, IT took the time to assess the appropriate area of focus for each position, which extended the hiring timeline.



	Fund Name	Expense Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2022 YTD Actual	2022 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
18	Support and Administration Fund	Computers & Software	123	5310	Information Technology	51330	Repairs and Maintenance - Equi	68,783	261,408	192,625	The budget assumed uniform spending across the year. Budgeted expenses are expected to catch up in the second half of the year as more renewals and support contracts that are expected to be updated in the later half of the year.
19	Support and Administration Fund	Professional Services	123	5310	Information Technology	52105	Professional Services	1,356,996	865,500	(491,496)	The IT office is using professional consultants to absorb the work funded by vacant positions, thus the increase in professional service spending.
20	Support and Administration Fund	Computers & Software	123	5310	Information Technology	55440	Software Maintenance	775,802	1,324,400	548,598	Budget assumed that spending would be uniform across the year in this account. The actual billing cycles vary between vendors. The variance is expected to diminish throughout the year.
21	Support and Administration Fund	Computers & Software	123	5310	Information Technology	55470	Equipment - Hardware Purch. Ca	2,999	204,078	201,079	Budget assumed that spending would be uniform across the year in this account. Expense for upgrading Cisco switches and wireless access controllers for the Los Angeles building will be realized in the fourth quarter.
22	Support and Administration Fund	Computers & Software	123	5310	Information Technology	55480	Equipment - Hardware Purchases	398,033	193,650	(204,383)	Budget assumed that spending would be uniform across the year in this account. Expenses related to laptop leases were realized earlier in the year, incurring more costs in the first half of the year.
23	Support and Administration Fund	Occupancy	123	5510	General Services SF	51310	Repairs	85,268	290,616	205,348	Due to the pending sale of the SF building, repairs and maintenance are being deferred where possible.
24	Support and Administration Fund	Occupancy	123	5520	General Services LA	51210	Electric	68,599	175,002	106,403	Budget assumed full occupancy. Savings are from telecommuting and reduced building utilization.
25	Support and Administration Fund	Occupancy	123	5530	Risk Management/Insurance	51910	Insurance	595,869	742,000	146,131	The variance is due to timing differences between budget and recording of expenses, where too much was budgeted in June from actual expenses incurred. With each successive month, the variance will decrease.
26	Building Fund	Buildings & Equipment	126	5612	HVAC - SF Building	55611	Building Improvements - Tax-exempt	126,316	-	(126,316)	HVAC SF Building - not budgeted since it is loan funded.
27	Building Fund	Buildings & Equipment	126	5612	HVAC - SF Building	55612	Building Improvements - Taxable	102,517	-	(102,517)	HVAC SF Building - not budgeted since it is loan funded.
28	Building Fund	Buildings & Equipment	126	5615	Generator	55611	Building Improvements - Tax-exempt	220,247	-	(220,247)	Generators - not budgeted since it is loan funded.
29	Building Fund	Buildings & Equipment	126	5615	Generator	55612	Building Improvements - Taxable	178,751	-	(178,751)	Generators - not budgeted since it is loan funded.
30	Building Fund	Buildings & Equipment	126	5616	Elevators	55611	Building Improvements - Tax-exempt	298,671	-	(298,671)	Elevators - not budgeted since it is loan funded.
31	Building Fund	Buildings & Equipment	126	5616	Elevators	55612	Building Improvements - Taxable	242,400	-	(242,400)	Elevators - not budgeted since it is loan funded.
32	Legal Specialization Fund	Exam & Software Licensing	214	8399	Legal Specialization	55440	Software Maintenance	-	151,000	151,000	The budget assumed that expenses for Prometric would be realized in the first half of the year, however, the actual expense will be realized in the second half of the year. In addition, this was budgeted to cover all three years of the purchase order totaling \$151,000, instead of only one year.
33	Client Security Fund	Payouts and Reimbursements	227	8720	Client Security Fund	58110	CSF Applications Paid	1,688,134	4,249,998	2,561,864	Application payments are under budget as a result of fewer applications eligible/approved for payment than anticipated. This is a continuation of the trend from 2021, in which a smaller proportion qualify for reimbursement compared to 2020.
34	Client Security Fund	Payouts and Reimbursements	227	8720	Client Security Fund	58220	Costs reimb. Collections	(458,476)	(300,000)	158,476	Collections are better than budget estimates as the accounts have previously been sent to FTB have resulted in effective collections.
35	Equal Access Fund	Professional Services	229	8224	Equal Access -Admin	52105	Professional Services	24,237	136,998	112,761	The Legal Aid Association of California contract is on a fiscal year from July 2021 to June 2022. Most of the Fiscal Year 21-22 contract was spent prior to December 31, 2021, and was over-budgeted in 2022. No further expenditures on this contract are expected in 2022.
36	Equal Access Fund	Legal Services Grants	229	8225	Equal Access - Grants	53010	Grants Expenses	40,775,163	40,598,019	(177,144)	Variance is due to unanticipated Partner Grant 2.0 disbursements not budgeted, which were partially offset by grant disbursement returned back to the State Bar by grant-recipients as they were unable to use the funds.
37	Admissions Fund	Professional Services	320	8311	Admissions Overhead	52105	Professional Services	89,506	280,002	190,496	An annual amount of \$0.4 million was budgeted for Psychometrics Services, however, Admissions does not anticipate spending more than \$0.1 million by the end of the year. In addition, \$0.2 million was budgeted to develop an exam preparation program for the First Year Law Students' exam, which will not be spent.

	Fund Name	Expense Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2022 YTD Actual	2022 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
38	Admissions Fund	Exam & Software Licensing	320	8311	Admissions Overhead	55440	Software Maintenance	121,193	428,000	306,807	The entire annual budget of \$0.4 million was budgeted in the first quarter, however, the actual costs are being amortized over 12 months. The variance will self-correct by the end of the year.
39	Admissions Fund	Exam Related Expenses	320	8312	Admission Operations	57110	Exam. Room Rental-Feb.	834,937	700,000	(134,937)	Higher than expected room costs vs budget.
40	Admissions Fund	Exam Related Expenses	320	8312	Admission Operations	57610	Proctors-February GBX	552,352	400,000	(152,352)	Higher than expected proctor costs vs budget.
41	Admissions Fund	Exam Related Expenses	320	8318	Examination Grading	57160	Multi-State Bar Exam.	216,354	387,500	171,146	Variance due to timing of invoices. Budgeted 50% in May, 50% in September based on prior year actuals. The variance will self-correct by the end of the year.

EXPENSE HIGHLIGHTS

Favorable		
Personnel Expenses	\$	1,545,850
Payouts and Reimbursements	\$	2,720,340
Other favorable expenses (net)	\$	1,698,540

Unfavorable		
Buildings & Equipment	\$	(1,168,903)

Net (Un)Favorable Expenses		<u><u>4,795,828</u></u>
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## PROPOSED 2022 BUDGET AMENDMENT - BY ITEM

Item	Fund	Cost Center	Account	Account Description	Amended Budget	Proposed Adjustment	2022 Mid-Year Amended Budget	Explanation
1) Budget Amendment to Correct Inaccuracies:								
1a	229	8224	44210	Grant Administrative Cost Reimb. (revenue)	1,278,963	(1,278,963)	-	To remove duplicate budgeted revenue in the Equal Access Fund for grant administrative cost reimbursement.
1b	312	8238	44110	Grant Revenue	3,860,000	(180,000)	3,680,000	To correct manual inadvertent revenue error in Grants Fund for CalHFA from \$3.86M to \$3.68M. This will reduce revenue to correct amount.
						(1,458,963)	Total grant-related revenue amendments	
1c	312	8238	53010	Grants Expenses	(3,860,000)	180,000	(3,680,000)	To correct manual inadvertent expenditure error in Grants Fund for CalHFA from \$3.86M to \$3.68M. This will reduce expenses to correct amount.
						180,000	Total grant-related expense amendment	
1d	110	0001	45901	All Other Miscellaneous Revenue	-	175,000	175,000	To correct collection fees in the General Fund for California Lawyers' Association, CACHangeLawyers.org, and Supreme Court Historical Society inadvertently omitted from the adopted budget.
						175,000	Total other revenue amendment	
2) Budget Amendment to Capture Unanticipated Changes in Income/Expenses:								
2a	118	1130	45801	Commissions Received-Insurance	1,000,000	(250,000)	750,000	To reduce revenue to reflect the withheld quarterly installment from Professional Liability Insurance. The first quarter payment was withheld due to the discovery of a duplicate payment that occurred in a prior year.
						(250,000)	Total unanticipated revenue amendment	