



The State Bar of California

OPEN SESSION AGENDA ITEM NOVEMBER 2022 FINANCE COMMITTEE IV.B

DATE: November 17, 2022

TO: Members, Finance Committee

FROM: Aracely Montoya-Chico, Chief Financial Officer

SUBJECT: Request for 2023 Spending Authority Pending Formal Budget Adoption and 2023 Preliminary Budget Assumptions

EXECUTIVE SUMMARY

The State Bar's annual budget adopted by the Board of Trustees in January each year and is filed with the State Legislature by February 28 each year. State Bar staff need authorization to spend for the period of January 1, 2023, through Board adoption of the final budget. The Finance Committee charter delegates authority from the Board of Trustees to the Finance Committee to provide staff authorization to spend.

In addition, the preparation of the 2023 budget is underway by Office of Finance. This agenda item will highlight some of the key assumptions being incorporated into the development of the budget.

BACKGROUND

The Board Book delegates the responsibility to approve spending authority pending final board approval of a budget to the Finance Committee. This agenda item seeks that spending authority for the period January 1, 2023, to the date of budget adoption. In addition, this agenda item

DISCUSSION

To eliminate any question about the authority of the State Bar to expend funds prior to the Board of Trustees' adoption of the final budget annually, the Finance Committee Charter was revised in December 2021 to delegate authority to the Finance Committee to provide staff with

spending authority for the period between January 1 and Board adoption of the final budget each year. The Board of Trustees' adoption of the final annual budget occurs in January. As such, staff is requesting spending authority through the date of Board adoption of the final 2023 budget. This authorization is limited to average monthly expenditures for the prior year in addition to expenditures previously approved by the Board of Trustees. This agenda item will also highlight some preliminary underlying assumptions being incorporated in the 2023 budget.

The Office of Finance is currently developing the budget for the 2023 fiscal year reflecting the following assumptions and objectives, in priority order:

- a. A 2023 COLA based on pending MOU negotiations.
- b. Identify and reallocate any available funding to the Office of Chief Trial Counsel to support implementation of case processing standards and other operational objectives.
- c. Identify and reallocate any available funding to the Office of Information Technology to support the technology infrastructure needed to modernize the State Bar and increase operational efficiency and effectiveness.
- d. Minimize any deficit spending in the General Fund. This objective will be achieved through strategies including hiring freezes, and significant reductions in professional services and travel expenditures.

FISCAL/PERSONNEL IMPACT

Approximately one months' worth of expenditures in the amount of \$105 million is expected to be incurred during January 2023. Out of the \$105 million, approximately \$92 million of expenditures are for grant disbursements expected to be paid in January of 2023 to grant sub-recipients.

This is an unusually high amount of grant expenditures to be disbursed during the first quarter. The State Bar is currently allocating a number of state and federal grants. Current obligations for grant distribution that the State Bar is required to satisfy include one-time disbursements of a large amount of funds at the beginning of each year. For most grants, these expenditures will be made in January resulting in the \$92 million in grant-related expenditures.

AMENDMENTS TO RULES OF THE STATE BAR OF CALIFORNIA

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

None – compliance

RECOMMENDATIONS

Should the Finance Committee concur in the proposed action, passage of the following resolution is recommended:

RESOLVED, that the Finance Committee provides spending authority to State Bar staff for the period January 1, 2023, to the date of the Board of Trustees' adoption of the 2023 budget at an expenditure level not to exceed \$105 million.

ATTACHMENT LIST

None