



The State Bar of California

OPEN SESSION AGENDA ITEM 703 SEPTEMBER 2023 FINANCE COMMITTEE III.A

DATE: September 21, 2023

TO: Members, Finance Committee
Members, Board of Trustees

FROM: Aracely Montoya-Chico, Chief Financial Officer

SUBJECT: Approval of 2023 Midyear Budget Variance Report (Including Quarter Two Financial Statements Report) and 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 variances greater than \$100,000 to be reported to the Board.

This agenda item includes the Q2 financial statements report, the midyear variance analysis of the 2023 budget, and projections for each fund for the fiscal year ending December 31, 2023.

BACKGROUND

The 2023 State Bar budget was approved by the Board of Trustees on February 27, 2023, and submitted to the Legislature in accordance with Business and Professions Code section 6140.1 on February 28, 2023. State Bar-wide revenues were budgeted to be \$269.9 million and budgeted expenses to be \$286.5 million. General Fund revenues were budgeted at \$91.3 million and expenses at \$95.7 million. At its meeting on August 10, 2023, the Executive Committee, acting for the full Board of Trustees, adopted General Fund amendments to increase spending by a net \$7.6 million.¹

¹ The proposed budget amendments totaled \$9.5 million, however, the General Fund realized \$1.9 million more revenue than budgeted. The revenue surplus is netted against the total amendment amount for a net balance of \$7.6 million.

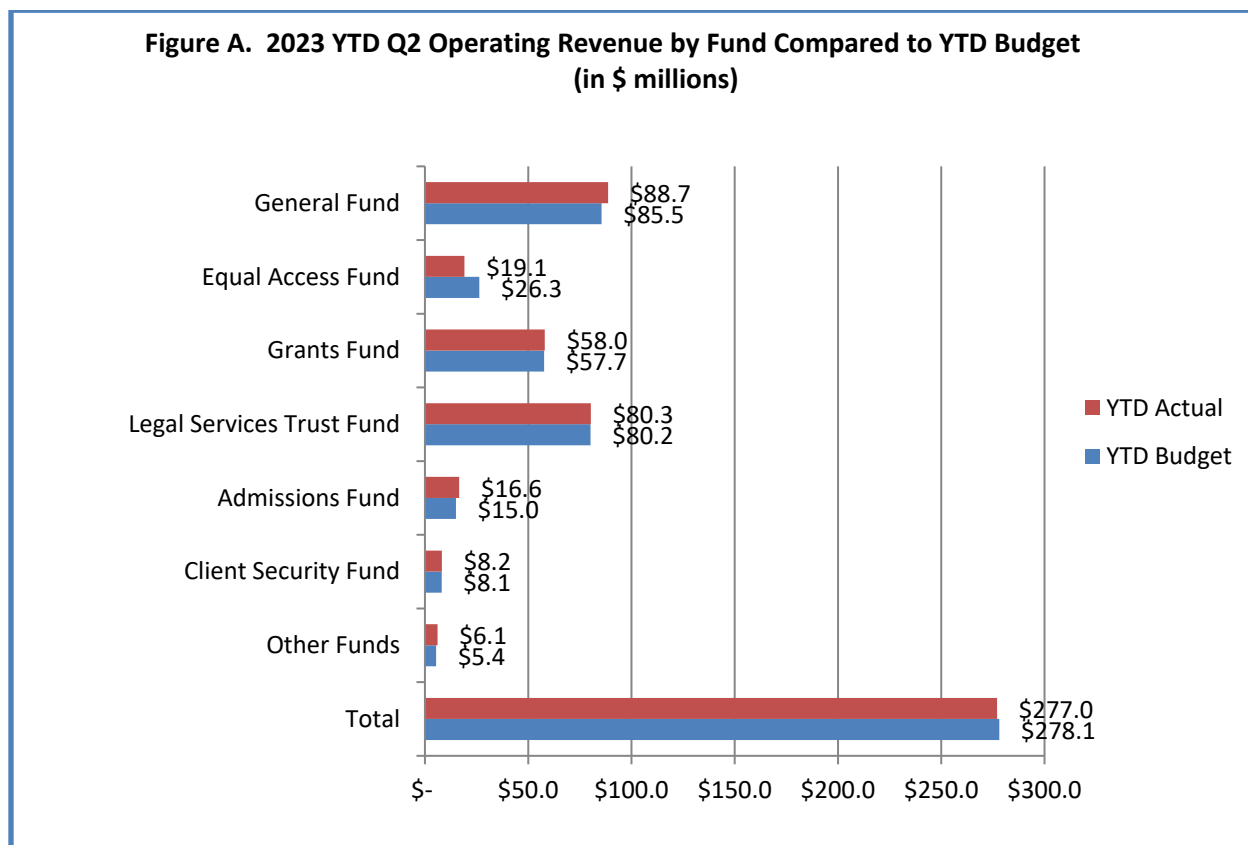
DISCUSSION

FINANCIAL STATEMENTS SUMMARY FOR THE SIX MONTHS ENDED JUNE 30, 2023 (ATTACHMENT A)

The financial statements are composed of the operating results for the six months ended June 30, 2023, with information and comparative analysis regarding revenues and expenses.

REVENUE

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



Overall, State Bar-wide operating revenue for the six months ending on June 30, 2023, amounted to \$277.0 million, slightly below budgeted operating revenue of \$278.1 million by \$1.1 million.

Operating revenue for the General Fund totaled \$88.7 million, \$3.2 million more than budgeted revenue of \$85.5 million. The primary drivers are Mandatory Fees (\$0.5 million of the variance) as more licensee payments were received than anticipated in 2023 and Other Fees (\$0.6 million) comprised primarily of late compliance fees related to the new Client Trust Account Protection Program (CTAPP). In addition, \$2.0 million of the favorable variance is attributable to pass-through revenue accounts. Pass-through revenue for insurance commissions was received toward the end of the quarter and will be disbursed to third parties in Q3 2023.

Operating revenue for the Equal Access Fund totaled \$19.1 million, \$7.2 million less than budgeted revenue of \$26.3 million. The variance is due to delayed receipt of grant revenues from the State

Controller's Office. A portion of the revenue was received in Q3, whereas the budget assumed all grant revenues would be received by end of Q2. The variance will fully correct in Q3 when all the expected revenue is received.

Operating revenue for the Grants Fund is on budget at \$58.0 million, \$0.3 million more than the budgeted revenue of \$57.7 million. The Grants Fund is comprised of Homeless Prevention (HP) II, HP III, HP IV, CARE Court, CalHFA grant revenue and grant administrative cost reimbursements.

The Legal Services Trust Fund (LSTF) operating revenue of \$80.3 million is in line with budgeted revenue of \$80.2 million with a \$0.1 million variance. This revenue primarily comprises Interest on Lawyers' Trust Accounts (IOLTA).

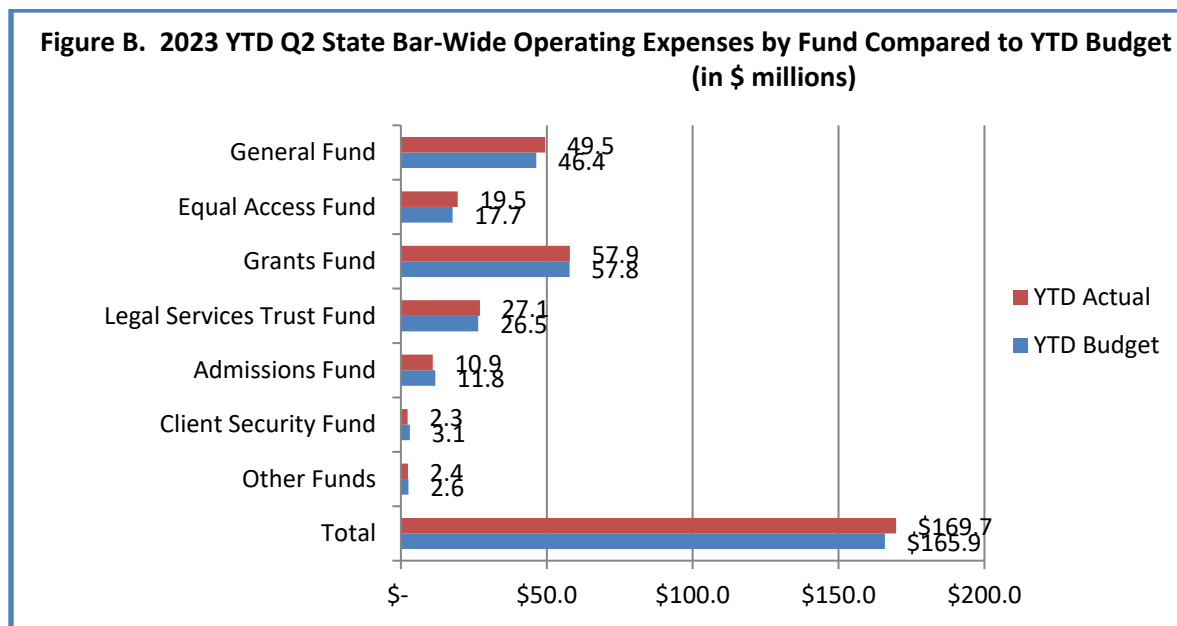
The Admissions Fund revenue totaled \$16.6 million, exceeding budgeted revenues of \$15.0 million by \$1.6 million. February and July exam fee revenues exceeded budget by \$1.0 million and \$0.9 million, respectively. The favorable variance was slightly offset by Multijurisdictional Practice Annual Renewal fees, which fell below budget by \$0.4 million due to fewer applicants than originally forecasted.

Client Security Fund revenue, funded by mandatory licensing fees, aligned with budgeted revenue of \$8.1 million, exceeding it by \$0.1 million.

Other Funds' revenues amounted to \$6.1 million, surpassing budgeted revenues of \$5.4 million by \$0.6 million. This favorable variance can be attributed to higher revenues earned in the Justice Gap Fund from class action suit settlements that are donated to this fund.

EXPENSES

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



State Bar-wide operating expenses for the quarter ending on June 30, 2023, amounted to \$169.7 million, exceeding budgeted expenses of \$165.9 million by \$3.8 million.

General Fund expenses totaled \$49.5 million, \$3.1 million more than budgeted expenses of \$46.4 million. This variance is mainly driven from personnel costs exceeding budget by \$1.3 million and equipment expenses by \$2.0 million for elevator and generator projects. The elevator and generator projects are funded by loan proceeds and are therefore not budgeted.

Equal Access Fund expenses amounted to \$19.5 million, exceeding the budgeted expenses of \$17.7 million by \$1.8 million. This discrepancy was caused by earlier-than-expected grant disbursements in Q2.

Grants Fund expenses totaled \$57.9 million and in line with budgeted expenses of \$57.8 million. The Grants Fund includes expenses related to HP II, HP III, HP IV, CARE Court, and CalHFA grants.

Legal Services Trust Fund expenses were \$27.1 million, \$0.6 million more than budgeted expenses of \$26.5 million. The variance was due to the law fellowship grants expenditures that were inadvertently not budgeted as it was a new program in 2023.

Admissions Fund expenses totaled \$10.9 million, \$0.9 million less than budgeted expenses of \$11.8 million. The majority of the variance is due in part to lower-than-expected professional service expenses (\$0.3 million) driven by timing of expenditures incurred and lower exam-related expenses (\$0.4 million) than budgeted, mostly from July bar exam room rentals.

Client Security Fund expenses were \$2.3 million, \$0.8 million less than the budgeted \$3.1 million. The variance is due to the high level of ineligible claims in the current case inventory, resulting in lower payouts than anticipated, and increased cost recovery.

Other Funds' expenses totaled \$2.4 million, \$0.2 million less than budgeted revenues of \$2.6 million and in line with the budget.

NONOPERATING REVENUE/EXPENSES

Nonoperating revenues/expenses encompass investment income, rental income, transfers and interest expense on loans. Nonoperating revenue reached \$3.9 million, exceeding the budgeted revenue of \$2.0 million by \$1.8 million. The variance is primarily driven by \$1.5 million higher investment income than budgeted. Nonoperating expenses totaled \$1.6 million, which was \$0.5 million less than the budgeted expenses of \$2.1 million. The variance is mostly attributed to the delay in executing the \$0.4 million transfer from the general fund to the Legal Services Trust Fund to support diversity, equity, and inclusion initiatives, expected to be resolved by year-end.

ATTACHMENTS

Attachment A – Operating Revenue, Operating Expenses, and Changes in Net Position (State Bar-Wide)
Attachment B – Assets, Liabilities, and Net Position (State Bar-Wide)

2023 MIDYEAR FINANCIAL PROJECTIONS AS OF JUNE 30 (ATTACHMENT C)

The 2023 midyear financial projection is detailed at the fund level in Attachment C. The projected reserve level for each fund is computed by adding the net effect of 2023 revenues and expenses relative to the 2022 year-end reserve balances. These projections are based on the operating results for the six months ending on June 30, 2023.

The midyear projection estimates that bar-wide, the State Bar will end 2023 with a surplus of \$57.1 million, marking a substantial shift from the initially budgeted operating deficit of \$16.6 million. This significant change is almost entirely attributed to increased IOLTA revenues within the Legal Services Trust Fund.

At its August 2023 meeting, the Board Executive Committee, approved the proposed General Fund amendments to be effective end of August 2023. Since the projections in this agenda are to estimate the ending reserve balances for each fund, staff considered the adopted General Fund amendments to estimate the General Fund's 2023 fund balance, which is projected to be \$0.4 million.

Table 1. 2023 Midyear Projections (fund level)

in 000s	Projected Reserves Bal 12/31/22	2023 Annual Projected Revenues	2023 Annual Projected Expenses	2023 Budgeted Surplus/ (Deficit)	Projected Reserves 12/31/23	Reserve Level (%)
General Fund	\$12,400	\$95,071	(\$107,030)	\$ (11,960)	\$440	0.4%
Restricted Funds						
Admissions	11,037	19,505	(24,250)	(4,746)	6,292	25.9%
Elimination of Bias	(8)	367	(346)	21	13	3.8%
Lawyer Assistance Program	1,477	2,256	(2,584)	(328)	1,149	44.4%
Legal Specialization	0	2,227	(1,837)	390	390	21.2%
Legislative Activities	492	62	(256)	(194)	298	116.4%
Bank Settlement	4,718	597	(106)	491	5,208	N/A
Client Security	7,592	8,412	(7,203)	1,209	8,801	N/A
Equal Access	3,051	35,214	(35,508)	(295)	2,757	N/A
Grants	530	63,752	(63,866)	(114)	416	N/A
Justice Gap	3,892	2,235	(1,010)	1,225	5,118	N/A
Legal Services Trust	56,313	125,370	(53,964)	71,406	127,719	N/A
Restricted Funds Total	\$89,094	\$259,996	(\$190,931)	\$69,066	\$158,159	
Totals	\$101,494	\$355,067	(\$297,961)	\$57,106	\$158,600	

The projected ending reserve target for the General Fund is anticipated to be 0.4 percent, falling below the established reserve policy target range of 17 to 30 percent. This represents a decrease from the originally projected 8.4 percent at the time of budget adoption. The decline in the projected reserve level is attributed to budget amendments adopted during the August 2023 Executive Committee meeting. The amendments modified budget expenditures to account for actual personnel spending, building operations for the last six months of 2023 for the San Francisco

Building, and increases in professional services expenses that were not known at the time of budget adoption.

In addition to the General Fund, one other fund is also expected to have reserves that fall outside the target range of 17 to 30 percent:

Below 17 percent

Elimination of Bias Fund (3.8 percent) – The Elimination of Bias Fund (EOB) is funded by a \$2 per attorney opt-out fee. Annual donations are insufficient to support EOB related expenses. When the fund fully depletes, supported activities will need to be downsized or eliminated.

Above 30 percent

Legislative Activities (116.4 percent) – The Legislative Activities Fund changed from opt-out to opt-in this year, resulting in a significant reduction in revenue. With the change, the fund's budget was reduced from \$0.7 million in 2022, to \$0.5 million in 2023. Actual revenue collected is only \$47,000 in 2023. Although the reserve policy typically requires a spending plan for funds with reserves above 30 percent, the current pace of expenditure indicates that the fund will exhaust in two years, thus eliminating the need for a spend-down plan.

Lawyer Assistance Program (44.4 percent) – The Lawyer Assistance Program (LAP) Fund is projected to have a year-end reserve balance of \$1.1 million in 2023, exceeding the 30 percent threshold. The LAP Fund is one of the two funds designated to support the General Fund via excess reserve transfer. As such, no spend-down plan is necessary.

Midyear projection highlights include the following:

General Fund: Overall, the General Fund has a projected deficit of \$11.9 million, compared to the adopted budget deficit of \$4.3 million. Adopted budgeted expenses were \$95.7 million whereas expenses are projected to be \$107 million. As mentioned above, amendments were adopted to increase spending on costs of owning the building, certain legal costs, and personnel related expenditures.

Total projected revenues are \$3.7 million higher than the adopted budget of \$91.3 million, primarily driven by higher mandatory fees collected (\$0.4 million), LLP fees (\$0.7 million), late/CTAAP compliance fees (\$0.5 million), increased investment income (\$1.3 million), and increased rental income (\$0.8 million). The LLP and late/CTAAP fee increases are the result of higher fees charged for these programs pursuant to Board action at its May 2023 meeting. Investment income rose due to ongoing interest rate increases by the Federal Reserve. Rental income projections assume continued ownership of the San Francisco Building until the end of 2023.

Admissions Fund: The Admissions Fund is projected to have an overall deficit of \$4.7 million, compared to a budgeted deficit of \$7.0 million. The decrease in the deficit is mostly a result of higher revenue than budgeted. The projected revenue surplus of \$2.0 million is due to higher exam fees from the February and July bar exams than anticipated. Projected expense savings of \$0.2 million are due to underspending for the February Bar exam.

Client Security Fund (CSF): CSF is projected to have an overall surplus of \$1.2 million, compared to the budgeted surplus of \$0.6 million. A revenue surplus of \$0.2 million is from mandatory fees and investment income exceeding the budget. Expense savings of \$0.4 million result from increased reimbursements from Franchise Tax Board collections.

Equal Access Fund (EAF): EAF is projected to have a deficit of \$0.3 million, compared to a budgeted deficit of \$0.7 million. This reduction in the deficit is primarily attributed to higher-than-anticipated interest income earned of \$0.4 million.

Legal Services Trust (LSTF) Fund: The LSTF is projected to have surplus of \$71.4 million, compared to a budgeted deficit of \$5.3 million. The significant change from the adopted budget to the projected balance is the result of substantial amounts deposited in IOLTA accounts than anticipated (the balance for the top ten banks totals approximately \$4.8 billion) combined with continued interest rate hikes that are earning much higher interest income. Revenue projections, which are used to budget, are approved by the LSFT Commission each year.

2023 BUDGET-TO-ACTUAL VARIANCE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30 (ATTACHMENT D)

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, 2023, to the year-to-date budget amounts. In accordance with the Board Book, significant budget variances are defined as budget-to-actual line-item variances greater than \$100,000. Significant budget variances are detailed in Attachment D.

FISCAL/PERSONNEL IMPACT

Fiscal/personnel impacts are described herein.

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 2023 Midyear Budget Variance Report (including Q2 Financial Statements Report) and Projection, in the form presented this day, for six months ended June 30, 2023.

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

RESOLVED, that the Board of Trustees, upon recommendation of the Finance Committee approves the 2023 Midyear Budget Variance Report (including Q2 Financial Statements Report) and Projection, in the form presented this day, for six months ended June 30, 2023.

ATTACHMENTS LIST

- A.** Operating Revenue, Operating Expenses, and Changes in Net Position (State Bar-Wide)
- B.** Assets, Liabilities, and Net Position (State Bar-Wide)
- C.** 2023 Midyear Financial Projections
- D.** Budget-to-Actual Variance Analysis for the Six Months Ended June 30, 2023

The State Bar of California
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide
for Three Months Ended June 30, 2023

	General Fund	Other Funds	2023 Actual	2022 Actual	Variance- 2023 Actual vs 2022 Actual	2023 Budget	Variance- 2023 Actual vs Budget
OPERATING REVENUE							
Affinity Insurance Revenue	1,421,034	-	1,421,034	(170,954)	1,591,989	(624,980)	2,046,014
Continuing Legal Education Fees	905,991	104	906,095	398,584	507,511	428,535	477,560
EAF AB 145 Filing Fee Revenue	-	3,011,000	3,011,000	11,583,621	(8,572,621)	2,786,034	224,966
Exam App. & Moral Char. Fees	-	15,878,852	15,878,852	13,925,049	1,953,804	13,919,865	1,958,987
Grant Revenue	-	74,073,134	74,073,134	84,294,290	(10,221,156)	81,212,898	(7,139,764)
Law Corporation Registration Fees	982,221	-	982,221	969,301	12,920	882,580	99,641
Legal Specialization Fees	-	1,863,075	1,863,075	1,928,936	(65,861)	1,882,998	(19,923)
Licensing Fees and Donations	84,964,119	19,568,314	104,532,433	104,376,310	156,123	103,058,450	1,473,983
Multi-Jurisdictional Practice Fees	-	367,059	367,059	791,500	(424,442)	748,500	(381,442)
Other Revenue	457,452	432,782	890,234	978,703	(88,469)	761,434	128,800
Trust Account Revenue	-	73,071,236	73,071,236	9,374,065	63,697,171	73,071,187	48
Total Operating Revenue	88,730,817	188,265,556	276,996,372	228,449,404	48,546,968	278,127,501	(1,131,129)

OPERATING EXPENSES

Access & Inclusion	96,614	104,727,583	104,824,196	99,448,270	5,375,927	102,236,041	2,588,155
Admissions	25,313	11,712,876	11,738,190	14,242,250	(2,504,061)	12,632,589	(894,399)
Regulation	2,746,827	-	2,746,827	3,140,778	(393,951)	2,716,440	30,387
Chief Trial Counsel	32,978,490	-	32,978,490	28,638,629	4,339,860	32,127,021	851,469
Client Security Fund	-	2,246,697	2,246,697	2,159,751	86,946	3,053,746	(807,049)
General & Administrative	(34,784)	-	(34,784)	(2,511,463)	2,476,679	(2,057,333)	2,022,549

The State Bar of California
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide
for Three Months Ended June 30, 2023

	General Fund	Other Funds	2023 Actual	2022 Actual	Variance- 2023 Actual vs 2022 Actual	2023 Budget	Variance- 2023 Actual vs Budget
Governance	3,870,857	175,059	4,045,916	2,548,511	1,497,405	4,033,048	12,868
Lawyers Assistance Program	-	808,736	808,736	1,189,066	(380,330)	849,156	(40,420)
Depreciation	-	-	-	3,210,756	(3,210,756)	-	-
Probation	942,836	-	942,836	853,672	89,165	914,235	28,601
Professional Competence	2,233,118	563,230	2,796,348	1,638,222	1,158,126	2,793,900	2,448
State Bar Court	6,648,029	-	6,648,029	6,661,486	(13,457)	6,630,208	17,821
Total Operating Expenses	49,507,300	120,234,181	169,741,481	161,219,928	8,521,553	165,929,052	3,812,430
OPERATING INCOME/(LOSS)	39,223,517	68,031,374	107,254,891	67,229,476	40,025,415	112,198,450	(4,943,559)
NON-OPERATING							
Interest and Investment Income	1,099,051	846,201	1,945,252	(514,271)	2,459,523	398,646	1,546,606
Rental Income	1,934,629	-	1,934,629	1,593,167	341,462	1,245,960	688,669
Interest Expense on Loans and Leases	(254,894)	-	(254,894)	(277,412)	22,518	(359,334)	104,440
Principal Expense on Loans	(1,392,873)	-	(1,392,873)	(1,356,792)	(36,081)	(1,394,900)	2,027
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
Total Non-Operating	1,385,914	846,201	2,232,114	(555,307)	2,787,421	(109,628)	2,341,742
INCOME/(LOSS) BEFORE TRANSFERS	40,609,430	68,877,575	109,487,005	66,674,169	42,812,837	112,088,822	(2,601,817)
TRANSFERS							
49110-Transfer In From General Fund	-	-	-	-	-	400,000	(400,000)

The State Bar of California
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide
for Three Months Ended June 30, 2023

	General Fund	Other Funds	2023 Actual	2022 Actual	Variance- 2023 Actual vs 2022 Actual	2023 Budget	Variance- 2023 Actual vs Budget
49314-Transfer In From Admissions Fund	-	-	-	100,000	(100,000)	-	-
49410-Interfund Transaction-Revenue	-	-	-	63,346	(63,346)	-	-
69224-Trsf Out To Legal Spec. Fund	-	-	-	(100,000)	100,000	-	-
69228-Transfer Out To LSTF	-	-	-	-	-	(400,000)	400,000
69410-Interfund Transaction-Expenses	-	-	-	(63,346)	63,346	-	-
TOTAL TRANSFERS	-	-	-	-	-	-	-
CHANGE IN NET POSITION	40,609,430	68,877,575	109,487,005	66,674,169	42,812,837	-	-
Net Position at beginning of year	28,580,160	85,467,917	114,048,077	29,180,690	84,867,386	-	-
NET POSITION AT June 30	69,189,590	154,345,492	223,535,082	95,854,859	127,680,223	-	-

The State Bar of California
Statement of Assets, Liabilities & Net Position
Bar Wide as of June 30, 2023

ATTACHMENT B

	General Fund	Other Funds	2023 Actual	2022 Actual	Variance- 2023 vs. 2022
ASSETS & DEFERRED OUTFLOWS					
Cash	170,182,199	-	170,182,199	175,506,447	(5,324,248)
Investments	86,928,070	-	86,928,070	14,058,160	72,869,910
Accounts Receivable (net of allowances)	1,962,826	1,017,806	2,980,632	18,667,649	(15,687,016)
Lease receivable	15,164,375	-	15,164,375	18,058,112	(2,893,736)
Interfund Rec(Pay)	(199,759,258)	199,759,258	-	-	-
Other Assets	10,834,066	14,967	10,849,033	10,713,040	135,993
Capital Assets (net of depreciation)	99,136,637	-	99,136,637	102,310,385	(3,173,749)
Deferred Outflows	37,885,114	-	37,885,114	12,163,713	25,721,401
Total Assets & Deferred Outflows	222,334,029	200,792,032	423,126,061	351,477,506	71,648,554
LIABILITIES & DEFERRED INFLOWS					
Accounts Payable and Accrued Liabilities	9,602,191	2,516,431	12,118,621	12,031,010	87,612
Lease liabilities	791,906	-	791,906	1,286,571	(494,665)
Unearned Income	1,265,036	43,930,109	45,195,145	39,767,191	5,427,954
Loan Payable	31,008,989	-	31,008,989	33,727,573	(2,718,584)
Deferred Inflows	21,733,662	-	21,733,662	60,366,341	(38,632,679)
OPEB Liability	7,393,303	-	7,393,303	7,617,010	(223,707)
Pension Liability	81,349,352	-	81,349,352	21,343,799	60,005,553
Total Liabilities & Deferred Inflows	153,144,439	46,446,540	199,590,979	176,139,495	23,451,483

The State Bar of California
Statement of Assets, Liabilities & Net Position
Bar Wide as of June 30, 2023

	General Fund	Other Funds	2023 Actual	2022 Actual	Variance- 2023 vs. 2022
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NET POSITION					
Net Position at Beginning of Year	28,580,160	85,467,917	114,048,077	106,770,757	7,277,319
Change in Net Position	40,609,430	68,877,575	109,487,005	68,567,254	40,919,752
Total Net Position	69,189,590	154,345,492	223,535,082	175,338,011	48,197,071
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Total Liabilities & Net Position	222,334,029	200,792,032	423,126,061	351,477,506	71,648,554
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STATE BAR OF CALIFORNIA
2023 MID-YEAR FINANCIAL PROJECTION

ATTACHMENT C

Fund Name	Reserve Balance	Revenue			Expense			2023 Totals		Projected Reserve Balance	Projected Reserve Level (%) **
	12/31/2022	2023 Annual Budget	Annual Projection	Projected Surplus/ (Shortfall)	2023 Amended Budget	Annual Projection	Projected Savings	Amended Budget Surplus/ (Deficit)	Projected Surplus/ (Deficit)	12/31/2023	12/31/2023
General Fund	\$12,399,882	\$91,353,061	\$95,070,600	\$3,717,539	\$105,232,460	\$107,030,400	(\$1,797,940)	(\$13,879,399)	(\$11,959,800)	\$440,082	0.4%
Restricted Funds											
Admissions Fund	11,037,195	17,469,200	19,504,600	2,035,400	24,524,400	24,250,100	274,300	(7,055,200)	(4,745,500)	6,291,695	25.9%
Elimination of Bias Fund	(8,190)	321,300	367,300	46,000	335,400	346,000	(10,600)	(14,100)	21,300	13,110	3.8%
Lawyer Assistance Fund	1,476,979	2,140,600	2,255,900	115,300	2,586,800	2,584,300	2,500	(446,200)	(328,400)	1,148,579	44.4%
Legal Specialization Fund	-	2,112,500	2,226,500	114,000	1,767,700	1,836,600	(68,900)	344,800	389,900	389,900	21.2%
Legislative Activities Fund	491,544	44,400	62,100	17,700	312,400	255,900	56,500	(268,000)	(193,800)	297,744	116.4%
Bank Settlement Fund	4,717,645	72,900	597,230	524,330	126,200	106,400	19,800	(53,300)	490,830	5,208,475	N/A
Client Security Fund	7,592,160	8,204,700	8,412,200	207,500	7,646,500	7,203,400	443,100	558,200	1,208,800	8,800,960	N/A
Equal Access Fund	3,051,286	34,843,900	35,213,600	369,700	35,498,700	35,508,200	(9,500)	(654,800)	(294,600)	2,756,686	N/A
Grants Fund	530,311	63,319,200	63,752,200	433,000	63,602,500	63,866,300	(263,800)	(283,300)	(114,100)	416,211	N/A
Justice Gap Fund	3,892,462	1,451,400	2,235,100	783,700	1,010,000	1,010,000	-	441,400	1,225,100	5,117,562	N/A
Legal Services Trust Fund	56,312,550	114,781,000	125,369,700	10,588,700	53,091,900	53,963,700	(871,800)	61,689,100	71,406,000	127,718,550	N/A
Restricted Funds Total:	\$89,093,941	\$244,761,100	\$259,996,430	\$15,235,330	\$190,502,500	\$190,930,900	(\$428,400)	\$54,258,600	\$69,065,530	\$158,159,471	
Grand Total	\$101,493,823	\$336,114,161	\$355,067,030	\$18,952,869	\$295,734,960	\$297,961,300	(\$2,226,340)	\$40,379,201	\$57,105,730	\$158,599,553	

** : 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%.

STATE BAR OF CALIFORNIA
BUDGET-TO-ACTUAL VARIANCE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2023
REVENUE VARIANCES GREATER THAN \$100,000

	Fund Name	Revenue Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2023 YTD Actual	2023 YTD Budget	YTD Variance Fav (Unfav)
1	Administration & Discipline Fund	Licensing Fees and Donations	110	0001	Admin & Discipline Fund	40110	Mandatory Licensee Fees	\$ 81,869,564	\$ 81,413,338	\$ 456,226
2	Administration & Discipline Fund	Investment Income	110	0001	Admin & Discipline Fund	47110	Investment Income	430,437	126,966	\$ 303,471
3	Administration & Discipline Fund	Affinity Insurance Revenue	110	1120	Group Insurance Programs	45802	Life	125,000	-	\$ 125,000
4	Administration & Discipline Fund	Other Fees	110	5710	Attorney Regulation & Consumer Resources	42902	Certificates of Standing	116,505	-	\$ 116,505
5	Administration & Discipline Fund	Other Fees	110	5720	MCLE Regulation	42380	Late Compliance Fees	190,150	-	\$ 190,150
6	Administration & Discipline Fund	Other Fees	110	9110	Regulation	42380	Late Compliance Fees	391,237	-	\$ 391,237
7	Legal Education and Development Fund	Affinity Insurance Revenue	118	1120	Group Insurance Programs	45820	Passthroughs	(236,187)	(1,330,636)	\$ 1,094,449
8	Legal Education and Development Fund	Affinity Insurance Revenue	118	1130	Professional Liab Insurance	45801	Commissions Received-Insurance	500,000	333,333	\$ 166,667
9	Legal Education and Development Fund	Affinity Insurance Revenue	118	1130	Professional Liab Insurance	45820	Passthroughs	(236,187)	(825,968)	\$ 589,781
10	Building Fund	Rental Income	126	5620	SF Facilities Management	48110	Rental Income	1,711,510	1,045,960	\$ 665,550
11	Client Security Fund	Licensing Fees and Donations	227	8710	Client Security -Asset BU	40110	Mandatory Licensee Fees	8,127,647	8,013,635	\$ 114,012
12	Legal Services Trust Fund	Investment Income	228	8218	LSTF Grants	47110	Investment Income	443,703	79,074	\$ 364,629
13	Legal Services Trust Fund	Investment Income	228	8218	LSTF Grants	47210	Unrealized Gain/Loss on Invest	(516,817)	-	\$ (516,817)
14	Legal Services Trust Fund	Transfer In	228	8223	LSTF Asset BU	49110	Transfer In From General Fund	-	400,000	\$ (400,000)
15	Equal Access Fund	Grant Revenue	229	8225	Equal Access - Grants	44110	Grant Revenue	15,588,286	23,292,360	\$ (7,704,075)

	Fund Name	Revenue Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2023 YTD Actual	2023 YTD Budget	YTD Variance Fav (Unfav)
16	Equal Access Fund	Grant Revenue	229	8225	Equal Access - Grants	44210	Grant Administrative Cost Reimb.	506,441	250,002	\$ 256,439
17	Equal Access Fund	Grant Revenue	229	8225	Equal Access - Grants	44120	AB 145 Filing Fee - EAF	225,000	-	\$ 225,000
18	Equal Access Fund	Investment Income	229	8225	Equal Access - Grants	47110	Investment Income	144,233	25,704	\$ 118,529
19	Justice Gap Fund	Licensing Fees and Donations	232	8227	Justice Gap Fund - BU	41113	Voluntary Fees/Donations – Cy Pres	659,592	-	\$ 659,592
20	Bank Settlement Fund	Investment Income	237	8229	Bank Settlement Fund	47110	Investment Income	204,587	36,462	\$ 168,125
21	Grants Fund	Grant Revenue	312	8237	Equal Access - Homeless Prevention III	44210	Grant Administrative Cost Reimb.	131,308	-	\$ 131,308
22	Grants Fund	Grant Revenue	312	8241	CARE Court	44110	Grant Revenue	250,000	-	\$ 250,000
23	Grants Fund	Grant Revenue	312	8236	Homeless Prevention II	44110	Grant Revenue	9,634,914	9,767,662	\$ (132,748)
24	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43320	Attorney Applic.-New July	1,877,579	1,375,792	\$ 501,787
25	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43110	Applic. Fees-New February	2,281,732	1,789,176	\$ 492,556
26	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43120	Attorney Applic.-New February	1,453,502	1,097,200	\$ 356,302
27	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43310	Applic. Fees-New July	4,731,574	4,454,620	\$ 276,954
28	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43140	Laptop Fee-February	691,208	545,570	\$ 145,638
29	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	43330	Laptop Fee-July	1,301,265	1,160,798	\$ 140,467
30	Admissions Fund	Investment Income	320	8316	Admissions Revenue	47110	Investment Income	138,466	24,678	\$ 113,788
31	Admissions Fund	Exam App. & Moral Char. Fees	320	8316	Admissions Revenue	42030	MJP Annual Renewal Fees	283,874	656,000	\$ (372,127)

ATTACHMENT D

Variance Explanation
More active attorneys paid than budget projected.
Investment income has significantly increased due to higher rates earned resulting from the Federal Reserve rate hikes.
Actual revenue was incorrectly recorded in the Administration & Discipline Fund 110, however, the budget is in the Legal Education and Development Fund 118. Correcting entries will be submitted to resolve variance.
Actual revenue was incorrectly recorded in cost center 5710 Attorney Regulation & Consumer Resources, however, the budget is in cost center 9110 Regulation. Correcting entries will be submitted to resolve variance.
Actual revenue was incorrectly recorded in cost center 5720 MCLE Regulation, however, budget is in cost center 8825 MCLE Provider Revenue. Correcting entries will be submitted to resolve variance.
Variance due to Late Compliance Fees from the new CTAPP non-compliance program) that was not budgeted.
The Passthrough revenue is the distribution of Affinity and Insurance Revenue to California Lawyers Association and CalBar Affinity. The budget assumed a similar disbursement trend as 2022. The passthrough disbursement was delayed but will resolve by year end.
The Professional Liability Insurance payments were budgeted based on the payment trend from 2022 and assumed 3 payments of \$333,333, however, 2023 actuals are anticipated to be 4 payments of \$250,000. The variance will self-correct by the end of the year.
The Passthrough revenue is the distribution of Affinity and Insurance Revenue to California Lawyers Association and CalBar Affinity. The budget assumed a similar disbursement trend as 2022. The passthrough disbursement was delayed but will resolve by year end.
Variance due to receipt of \$412K rental security deposit as a result of Knotel tenant bankruptcy; remainder due to prepaid rent.
More active attorneys paid than budget projected.
Investment returns have significantly increased due to the Federal Reserve rate increases.
Gains and Losses are not budgeted.
Variance due to timing. Transfer is scheduled to take place before the end of the year.
The variance is due to timing of the receipt of the revenue and will be corrected by the end of Q3.

Variance Explanation
Budget assumed uniform reimbursement amounts throughout the year. However, actual reimbursements are based on actual hours spent on different grants each month, therefore difficult to predict. By year end the difference will narrow, but still projecting more revenue than budget by \$0.1 million.
Miscoded into the wrong fund/account. Correcting entries will be submitted. There is no actual variance.
Investment returns have significantly increased due to the Federal Reserve rate increases.
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.
Investment income has significantly increased due to higher rates earned resulting from the Federal Reserve rate hikes.
No revenues were budgeted in 2023 due to a budgeting error.
New grant received after the budget was adopted.
The budget assumed all of the revenue would be received in January 2023. Actual revenue was slightly less due to diminished funding in HPIL grant.
There were more applicants than anticipated in the budget.
There were more applicants than anticipated in the budget.
There were more applicants than anticipated in the budget.
There were more applicants than anticipated in the budget.
There were more applicants than anticipated in the budget.
There were more applicants than anticipated in the budget.
Investment returns have significantly increased due to the Federal Reserve rate increases.
MJP renewal fees were not properly recorded in the correct GL account. Correcting entries will be submitted.

STATE BAR OF CALIFORNIA
BUDGET-TO-ACTUAL VARIANCE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2023
EXPENSE VARIANCES GREATER THAN \$100,000

	Fund Name	Expense Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2023 YTD Actual	2023 YTD Budget	YTD Variance Fav/(Unfav)
1	Administration & Discipline Fund	Transfer Out	110	0001	Admin & Discipline Fund	69228	Transfer Out To LSTF	-	400,000	\$ 400,000
2	Administration & Discipline Fund	Personnel Expenses	110	2110	Mission Advancement	50110	Regular Salaries	700,197	935,298	\$ 235,101
3	Administration & Discipline Fund	Professional Services	110	6120	Rule 2201 Conflict Cases	52105	Professional Services	360,276	492,498	\$ 132,222
4	Administration & Discipline Fund	Personnel Expenses	110	9110	Regulation	50110	Regular Salaries	960,595	1,082,250	\$ 121,655
5	Administration & Discipline Fund	Professional Services	110	7120	Hearing Admininstration SF	52105	Professional Services	(115,067)	-	\$ 115,067
6	Administration & Discipline Fund	Professional Services	110	6120	Rule 2201 Conflict Cases	52107	Professional Services - SDTC Administrator	36,625	137,502	\$ 100,877
7	Administration & Discipline Fund	Personnel Expenses	110	6110	Chief Trial Counsel	50250	CalPERS Employer Share	2,923,103	2,592,350	\$ (330,753)
8	Administration & Discipline Fund	Personnel Expenses	110	6110	Chief Trial Counsel	50170	Vacation Accrual Benefits	256,219	-	\$ (256,219)
9	Administration & Discipline Fund	Personnel Expenses	110	6110	Chief Trial Counsel	50180	Sick Accrual Benefits	207,005	-	\$ (207,005)
10	Administration & Discipline Fund	Personnel Expenses	110	6110	Chief Trial Counsel	50120	Casual Hourly Pay	123,587	-	\$ (123,587)
11	Technology Fund	Debt Related	119	5410	Technology Improvemnt- Asset BU	62115	Principal expense-loans	143,699	270,800	\$ 127,101
12	Support and Administration Fund	Buildings & Equipment	123	5310	Information Technology	51330	Repairs and Maintenance - Equi	(111,858)	250,998	\$ 362,856
13	Support and Administration Fund	Computers & Software	123	5310	Information Technology	55440	Software Maintenance	1,379,483	1,651,500	\$ 272,017
14	Support and Administration Fund	Personnel Expenses	123	4110	General Counsel	50110	Regular Salaries	1,418,199	1,615,601	\$ 197,402
15	Support and Administration Fund	Personnel Expenses	123	5310	Information Technology	50410	Temporary Outside Help/Contractors	1,280	143,898	\$ 142,618
16	Support and Administration Fund	Buildings & Equipment	123	5510	General Services SF	51310	Repairs	114,228	254,332	\$ 140,104

	Fund Name	Expense Category	Fund	Cost Center	Cost Center Description	Account	Account Description	2023 YTD Actual	2023 YTD Budget	YTD Variance Fav/(Unfav)
17	Support and Administration Fund	Professional Services	123	4110	General Counsel	52105	Professional Services	656,159	375,000	\$ (281,159)
18	Support and Administration Fund	Other Expenses	123	4110	General Counsel	56805	Miscellaneous Expenses	138,000	-	\$ (138,000)
19	Support and Administration Fund	Professional Services	123	5310	Information Technology	52105	Professional Services	1,705,488	1,570,020	\$ (135,468)
20	Support and Administration Fund	Computers & Software	123	5310	Information Technology	55480	Equipment - Hardware Purchases	165,950	64,998	\$ (100,952)
21	Building Fund	Buildings & Equipment	126	5610	Building -Asset BU	55610	Building Improvements	(125,215)	-	\$ 125,215
22	Building Fund	Buildings & Equipment	126	5615	Generator	55611	Building Improvements - Tax-exempt	927,054	-	\$ (927,054)
23	Building Fund	Buildings & Equipment	126	5615	Generator	55613	Building Improvements - Fee Bill Funded	737,241	-	\$ (737,241)
24	Building Fund	Buildings & Equipment	126	5616	Elevators	55611	Building Improvements - Tax-exempt	277,997	-	\$ (277,997)
25	Building Fund	Buildings & Equipment	126	5616	Elevators	55613	Building Improvements - Fee Bill Funded	225,621	-	\$ (225,621)
26	Building Fund	Debt Related	126	5610	Building -Asset BU	62115	Principal expense-loans	814,066	709,100	\$ (104,966)
27	Support and Administration Fund	Personnel Expenses	123	5310	Information Technology	50110	Regular Salaries	2,303,843	2,521,402	\$ 217,559
28	Client Security Fund	Payouts and Reimbursements	227	8720	Client Security Fund	58110	CSF Applications Paid	1,777,808	2,300,000	\$ 522,192
29	Client Security Fund	Payouts and Reimbursements	227	8720	Client Security Fund	58220	Costs reimb. Collections	(703,145)	(300,000)	\$ 403,145
30	Legal Services Trust Fund	Professional Services	228	8219	LSTF Administration	52105	Professional Services	22,952	161,562	\$ 138,610
31	Legal Services Trust Fund	Legal Services Grants	228	8223	LSTF Asset BU	53116	Grant Expense - Law Fellowship	757,375	-	\$ (757,375)
32	Equal Access Fund	Legal Services Grants	229	8225	Equal Access - Grants	53010	Grants Expenses	18,599,286	16,921,258	\$ (1,678,028)
33	Grants Fund	Legal Services Grants	312	8241	CARE Court	53010	Grants Expenses	250,000	-	\$ (250,000)
34	Admissions Fund	Exam Related Expenses	320	8312	Admission Operations	57130	Exam. Room Rental-July GBX	31,228	240,000	\$ 208,772

ATTACHMENT D

Variance Explanation
Variance due to timing. Transfer is scheduled to take place before the end of the year.
15 FTE were budgeted and only 10 were filled at the beginning of the year. The office averaged 4 FTE vacancies through the first six months, in part due to the 3 month hiring freeze. Savings were offset by 32K in severance.
Case developments have resulted in less expenses in the first half of the year as a major case was put on hold pending appeal. In addition, recent hires have OCTC experience and are processing cases more efficiently.
Attorney Regulation and Consumer Resources was moved to Regulation in 2023. A portion of payroll (\$44K) earlier in the year was charged to the old cost center. A correcting entry will be submitted. The rest of the variance is due to an average of two vacant principal analyst positions out of an office of 22 FTE positions.
The Odyssey data breach resulted in attorney fees that were partially covered by insurance. In 2022, the State Bar paid the attorneys fees directly due to a delay in the insurance reimbursement. These attorney expenses were charged to this account in late 2022. The State Bar finally received reimbursement for the attorneys fees in 2023 and the \$115K variance is a result of this reimbursement of 2022 expenses.
Costs of program administration are less than anticipated. SDTC administrator's full salary is budgeted in this cost center. STDC charges professional services when working on cases and only charges this cost center when performing administration activities.
CalPERS Unfunded Accrued Liability was overspent in the first half of the year due a rate change. This overspend was addressed as part of the General Fund amendments in August of 2023, which will resolve the variance.
Vacation expense has historically not been budgeted. The August 2023 budget amendments brought this expense into the budget.
Sick expense has historically not been budgeted. The August 2023 budget amendments brought this expense into the budget.
OCTC is underspending in their Temp budget to offset the overage in Casual hourly.
Actuals based on a more updated allocation than the budget used. This difference causes variance in specific cost centers, but expenses as a whole are on track.
Variance due to expenses under estimated budget, miscodings and other budgeting errors. Correcting entries will be submitted.
Variance due to expenses under estimated budget, miscodings and other budgeting errors. Correcting entries will be submitted.
24 FTE were budgeted and only 17 were filled at the beginning of the year. The office has averaged 8 FTE vacancies through the first six months due to the 3 moth hiring freeze.
Variance due to expenses under estimated budget, miscodings and other budgeting errors. Correcting entries will be submitted.
The budget was straight-lined equally over 12 months while the actual completion of projects fluctuated throughout the first six months. General Services anticipates the variance will resolve by year end.

Variance Explanation
Variance is due to outside investigations and the use of a contractor due to insufficient internal resources. This overspend of \$200K for the May investigation was part of the approved General Fund amendments in August 2023, which will reduce the variance.
Variance is due to the LA Times litigation settlement.
Variance due to expenses over estimated budget, miscodings and other budgeting errors. Correcting entries will be submitted.
Variance due to expenses over estimated budget, miscodings and other budgeting errors. Correcting entries will be submitted.
The credit balance is due to timing. We provide funds to property management to pay contractors for capital projects. As of June'23, they had not yet used the funds to pay the contractors. This account is not budgeted as capital expenditures come from loan proceeds.
The generator project is loan funded and the expenditures are not get budgeted.
The generator project is loan funded and the expenditures are not get budgeted.
The elevator project is loan funded and the expenditures are not get budgeted.
The elevator project is loan funded and the expenditures are not get budgeted.
Actuals based on a more updated allocation than the budget used. This difference causes variance in specific cost centers, but expenses as a whole are on track.
45 FTE were budgeted and only 39 were filled at the beginning of the year. The office has averaged 6 FTE vacancies through the first six months due to the 3 month hiring freeze.
This is a result of fewer applications approved for payment than budgeted. CSF anticipated increased payouts in the second half of the year and to end the year on budget.
Collections are better than budget estimates as the accounts have previously been sent to FTB have resulted in effective collections.
\$94K was incorrectly coded to cost center 8211. Correcting entries will be submitted to reduce the variance.
Revenue was budgeted and received. Budget for expense was inadvertently not budgeted.
The budget anticipated an even distribution on a quarterly basis. In addition to quarterly dispersed grants, this line item contained a grant that was a one time disbursement. The one time grant disbursement caused the \$1.7 million variance in the first half of the year, but will resolve by the end of the year.
New grant received after the adopted was budget.
This variance is due to timing of invoices received and will be resolved by the end of the year.