



The State Bar *of California*

Discussion of Preliminary 2024 General and Admissions Fund Budgets

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Background

- The State Bar has experienced a decreasing General Fund (GF) reserve balance and structural deficit in the Admissions Fund
- August 2023 - request submitted to Legislature for \$82 active licensees fee increase for 2024 to address reserve → Legislature did not approve
- SF building sold in November 2023 with net proceeds totaling \$29M
- In absence of fee increase, Senate Bill (SB 40), provided guidance on use of building proceeds to support operations
- Board took action in 2023 to increase both Admissions and GF service fees
 - Discussed other cost mitigation and revenue enhancing strategies including:
 - OPEB payment deferral
 - LA debt service payment deferral
 - Optional reimbursement from the retiree plan



General Fund Preliminary Budget Overview

- **Revenue: \$97M, increase of \$3.3M from August 2023 Projection to Legislature of \$93.7M**
 - Factors driving revenue growth:
 - \$1.8M moved into GF from Legal Specialization fund
 - \$1.4M of increased investment income
- **Expenses: \$119M, increase of \$8M from August 2023 Projection to Legislature of \$111M**
 - Key factors of increased expenditures:
 - Ongoing cost increases
 - Personnel costs (\$2.1M) due to new position hired and increase in rates for health care benefits
 - Lease payments (\$3.2M) higher compared to cost of owning the building in 2024
 - IT-related expenses (\$3M)



General Fund Preliminary Budget Overview

- One-time investments
 - LA office elevator upgrade (\$1.5M)
 - Digitization project to support smaller physical SF footprint (\$2M)
 - SF office restack architectural and construction services (\$0.8M)
 - Phone system upgrade for the Contact Center (\$0.5M)
 - Agaton litigation (\$0.5M)
 - Five-year update to California Justice Gap Study (\$0.4M) and racial disparities study in attorney discipline (\$0.1M)
 - Redesign and security improvements for State Bar website (\$0.3M)
 - \$1M of 2024 lease costs considered one-time expense as lease payments will decline effective 2025 due to downsize of SF office space
- Expenditures above are offset by one-time deferral of OPEB contribution payment (\$2.8M)



Impact on April Legislative Report and 2025 Fee Increase

- 2024 budget is baseline to develop 2025 forecast
- 2025 forecast used to determine fee increase need
- Necessary to adjust budget and exclude all one-time costs and expense deferrals

GF 2024 Adjusted Budget for One-time Expenses

	August 2023 Projection	2024 Adjusted Budget	\$ Change
Revenue	\$93.7M	\$97M	\$3.3M
Expenses	\$111M	\$114.6M	\$3.6M
Deficit	(\$17.3M)	(\$17.6M)	\$0.3M



Policy Considerations

- Use of reserves
 - One-time vs. ongoing expenses
 - Use of reserves based on parameters authorized for use of building sale proceeds
- Should other expense reduction/revenue increase measures be undertaken?
 - OPEB contribution payment deferral → preliminary budget assumes this
 - Reimbursement from retiree plan?
 - LA debt service payment deferral?



Admissions Preliminary Budget Overview

	Revenue	Expenses	Deficit
2023 Budget	\$17.5M	\$24.5M	(\$7.0M)
2024 Preliminary Budget	\$26.1M	\$27.9M	(\$1.8M)

- 2024 budget accounts for both admissions service fee increases and bar exam administration cost reduction measures
- Key drivers of increase in expenses from 2023 budget: personnel costs and indirect costs
- There will be sufficient reserves to cover expected 2024 operating deficit
- Board will need to adopt remaining fee admission fee increases
 - State Bar will need to implement those increases
 - Continue to explore more cost bar exam reductions measures by end of year



Questions?

