



The State Bar of California

Date: February 20, 2025

To: Members, Finance Committee
Members, Board of Trustees

From: Aracely Montoya-Chico, Chief Financial Officer

Subject: Quarter Four 2024 Financial Statements Report Operating Results

This memo outlines the State Bar's twelve-months preliminary operating results as of December 31, 2024, with information and comparative analysis regarding revenue and expenses.

FINANCIAL HIGHLIGHTS – REVENUES AND EXPENSES

Table 1 below provides year-to-date budget-to-actual variance highlights for select revenue and expense categories.

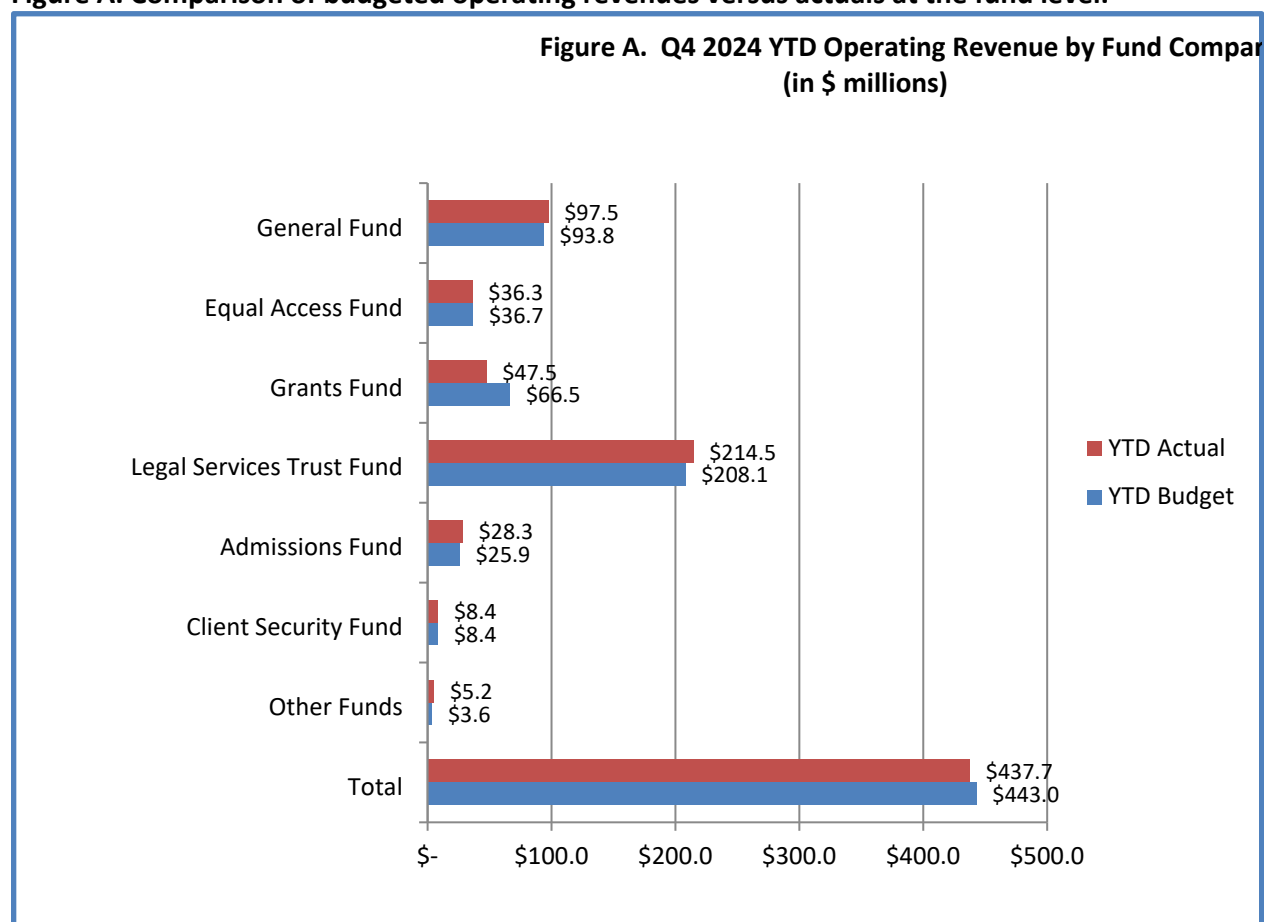
Table 1. YTD Budget-to-Actual Variance Analysis ¹

Financial Statement Category	Dec 31, 2024 Actual (in \$M)	Dec 31, 2024 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Revenue	\$437.7	\$443.0	(\$5.3)	-1%
Licensing Fees & Donations	107.7	106.4	1.3	1%
Continuing Legal Education Fees	4.3	0.8	3.5	438%
Trust Account Revenue	207.1	201.0	6.1	3%
Exam Application Fees	25.5	24.2	1.3	5%
Grant Revenue	79.3	98.6	(19.3)	-20%
Operating Expenses	\$337.6	\$365.3	(27.7)	-8%
Access & Inclusion	188.2	206.0	(17.8)	-9%
Admissions	29.9	30.7	(0.8)	-3%
Chief Trial Counsel	78.0	77.0	1.0	1%
Professional Competence	10.6	11.9	(1.3)	-11%
State Bar Court	17.5	17.7	(0.2)	-1%

¹ Table displays total operating revenue and expense, followed by the largest revenue and expense categories only.

REVENUE

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



Overall, State Bar-wide operating revenue for the twelve months ending December 31, 2024, totaled \$437.7 million, below budgeted operating revenue of \$443.0 million by \$5.3 million.

Operating revenue for the General Fund (GF) totaled \$97.5 million, \$3.7 million more than the budgeted revenue of \$93.8 million. The primary driver is \$3.4 million in late compliance and reinstatement fees related to the Client Trust Account Protection Program (CTAPP) and Minimum Continuing Legal Education (MCLE). The budget assumed a lower rate of noncompliance and subsequent penalties in the CTAPP program's second year. This assumption did not materialize, resulting in significantly higher revenues.

Additional favorability of \$1.1 million is mostly from Late Penalties, Law Corp and LLP renewals, and smaller variances spread across other categories.

While total GF revenues are above budget primarily from CTAPP late compliance and reinstatement fees, Mandatory Licensing Fees ended the year below budget by \$0.8 million.

Operating revenue for the Equal Access Fund totaled \$36.3 million, which is \$0.4 million less than budgeted revenue of \$36.7 million. This variance is primarily due to grant administrative reimbursement costs from staff turnover, resulting in less billable time.

Operating revenue for the Grants Fund totaled \$47.5 million, which is \$19.0 million less than budgeted revenue of \$66.5 million. \$18.6 million of the variance is due to delayed funding for the CARE Court Grant and grant administrative reimbursement costs. The AccessLex grant revenue is also below budget by \$0.2 million from delayed funding; funding is expected to be received in the first half of 2025. The Grants Fund comprises CARE Court, Homeless Prevention (HP) II, HP III, HP IV, CalHFA, Consumer Debt, AccessLex, and grant administrative cost reimbursements.

The Legal Services Trust Fund (LSTF) operating revenue of \$214.5 million, exceeded budgeted revenue of \$208.1 million by \$6.4 million. The primary driver is IOLTA revenue, which accounts for \$6.1 million. The amended budget assumed an average bank balance of \$5.7 billion with an interest rate range of 3.23 percent–3.74 percent throughout the year. However, the actual average daily balance was significantly higher at \$7.2 billion, while the average interest rate was lower at 2.78%. Despite the lower rate, the higher balance more than compensated, resulting in a favorable variance. An additional \$0.2 million variance is due to fewer attorneys opting out of Legal Services voluntary fees than anticipated.

Admissions Fund revenue totaled \$28.3 million, exceeding the budgeted revenues of \$25.9 million by \$2.4 million. The variance is due to the following:

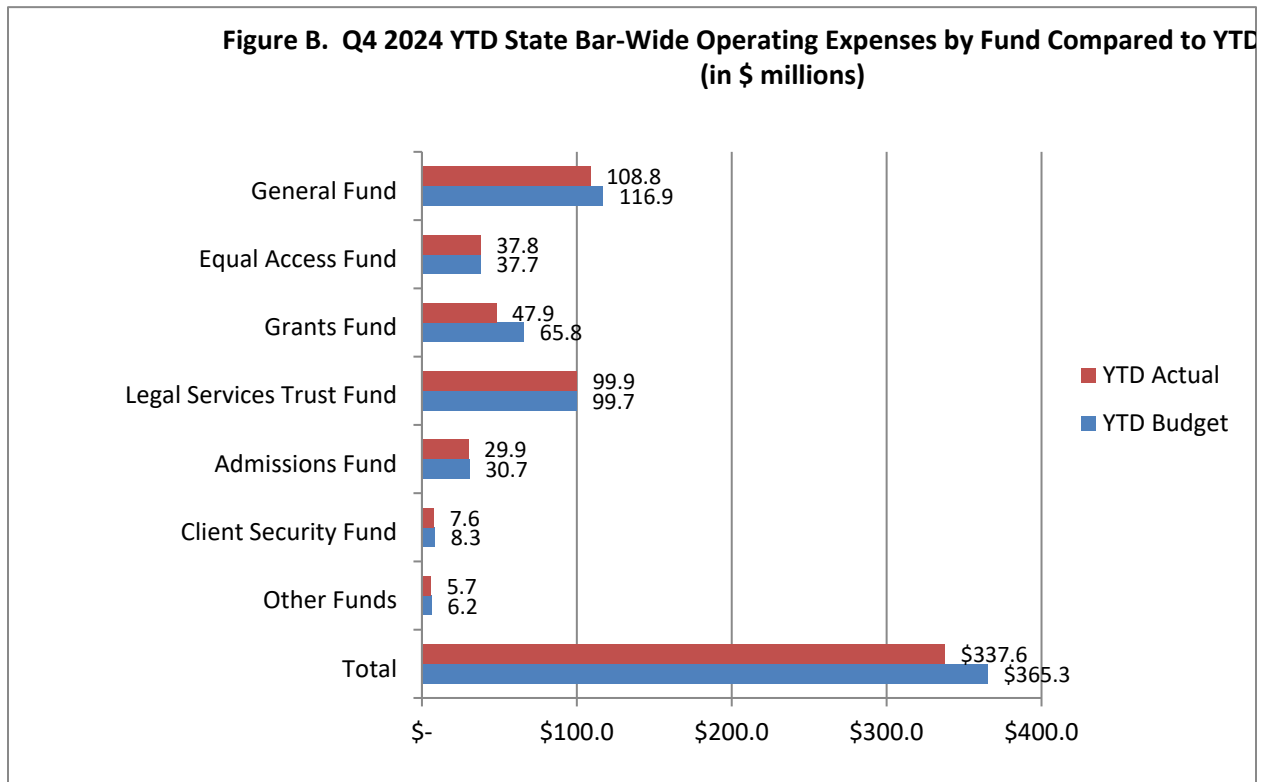
- i. \$0.3 million more exam fee revenue from a larger number of applicants for the February and July bar exams.
- ii. \$0.9 million more revenue was collected for Moral Character Determination fees, Law Students and Attorney Applicants registration fees due to larger number of applicants.
- iii. \$1.2 million in fees from Pro-Hac Vice Fees, Out-of-State Attorney Arbitration Fees, and Law School Accreditation/Registration fees above budget due to the fee increases approved during the year.

Client Security Fund revenue, funded by mandatory licensing fees, aligned with the budgeted revenue of \$8.4 million.

Other Funds' revenues amounted to \$5.2 million, surpassing budgeted revenues of \$3.6 million by \$1.6 million. The variance is primarily due to the Justice Gap Fund donations from class-action suit settlements.

EXPENSES

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



State Bar-wide operating expenses for the twelve months ending December 31, 2024, totaled \$337.6 million, \$27.7 million less than budgeted expenses of \$365.3 million.

General Fund expenses totaled \$108.8 million, \$8.1 million less than budgeted expenses of \$116.9 million. This variance is due to the following:

- i. Professional Services savings of \$6.5 million mostly from delayed or canceled projects (IT \$1.5 million and non-IT offices \$3.7 million), fewer referrals to outside counsel and the Rule 2201 program (\$0.7 million), and delayed Justice Gap Survey invoicing in Mission Advancement and Accountability Division (\$0.3 million).
- ii. IT equipment savings of \$1.1 million from deferred projects and projects handled internally.
- iii. Building Operations savings of \$0.6 million from lower insurance costs following the San Francisco building sale (\$0.2 million), reduction in leased parking spaces in Los Angeles (\$0.1 million), and a budgeting error on the timing of the San Francisco office space consolidation move (\$0.3 million).

Equal Access Fund expenses were \$37.8 million, slightly more than budget by \$0.1 million or 0.3 percent.

Grants Fund expenses were \$47.9 million, \$17.9 million less than the budgeted \$65.8 million. Most of this variance is attributable to the delayed release of funds for the CARE Court grant.

Legal Services Trust Fund expenses were \$99.9 million, slightly more than budgeted expenses by \$0.2 million or 0.2 percent.

Admissions Fund expenses totaled \$29.9 million, \$0.8 million less than budgeted expenses of \$30.7 million. Most of the savings were in Services from testing accommodations improvements, Law School Inspections due to fewer requests from schools for jointly accredited status, and Outside Printing for exam development.

Client Security Fund expenses were \$7.6 million, \$0.7 million less than budgeted expenses of \$8.3 million. The savings are due to fewer applications eligible for payment, as well as CSF attorney turnover and absences that limited the processing of applications.

Other Funds' expenses totaled \$5.7 million, \$0.5 million under budgeted expenses of \$6.2 million. The savings primarily resulted from lower expenditures in the Lawyers' Assistance Program—Voluntary for counseling services and personnel costs in the Elimination of Bias Fund.

NONOPERATING REVENUE/EXPENSES

Nonoperating revenues/expenses encompass investment income, rental income, transfers, and interest expense on loans. Nonoperating revenue totaled \$17.1 million, exceeding the budgeted revenue of \$8.3 million by \$8.8 million. This variance is due to investment income exceeding the budget by \$8.8 million.

ATTACHMENTS

Attachment 1 – Operating Revenue, Operating Expenses, and Changes in Net Position
Attachment 2 – Assets, Liabilities, and Net Position