



The State Bar of California

OPEN SESSION
AGENDA ITEM
4.1 MAY 2025
FINANCE COMMITTEE

DATE: May 22, 2025

TO: Members, Finance Committee
Members, Board of Trustees

FROM: Aracely Montoya-Chico, Chief Financial Officer

SUBJECT: Approval of 2025 Quarter One Financial Statements Report

EXECUTIVE SUMMARY

This staff report presents the unaudited financial results for the three months ended March 31, 2025, for approval by the Finance Committee.

RECOMMENDED ACTION

That the Finance Committee recommends that the Board of Trustees approve the 2025 Quarter One Financial Statements Report for the three months ended March 31, 2025, in the form presented this day.

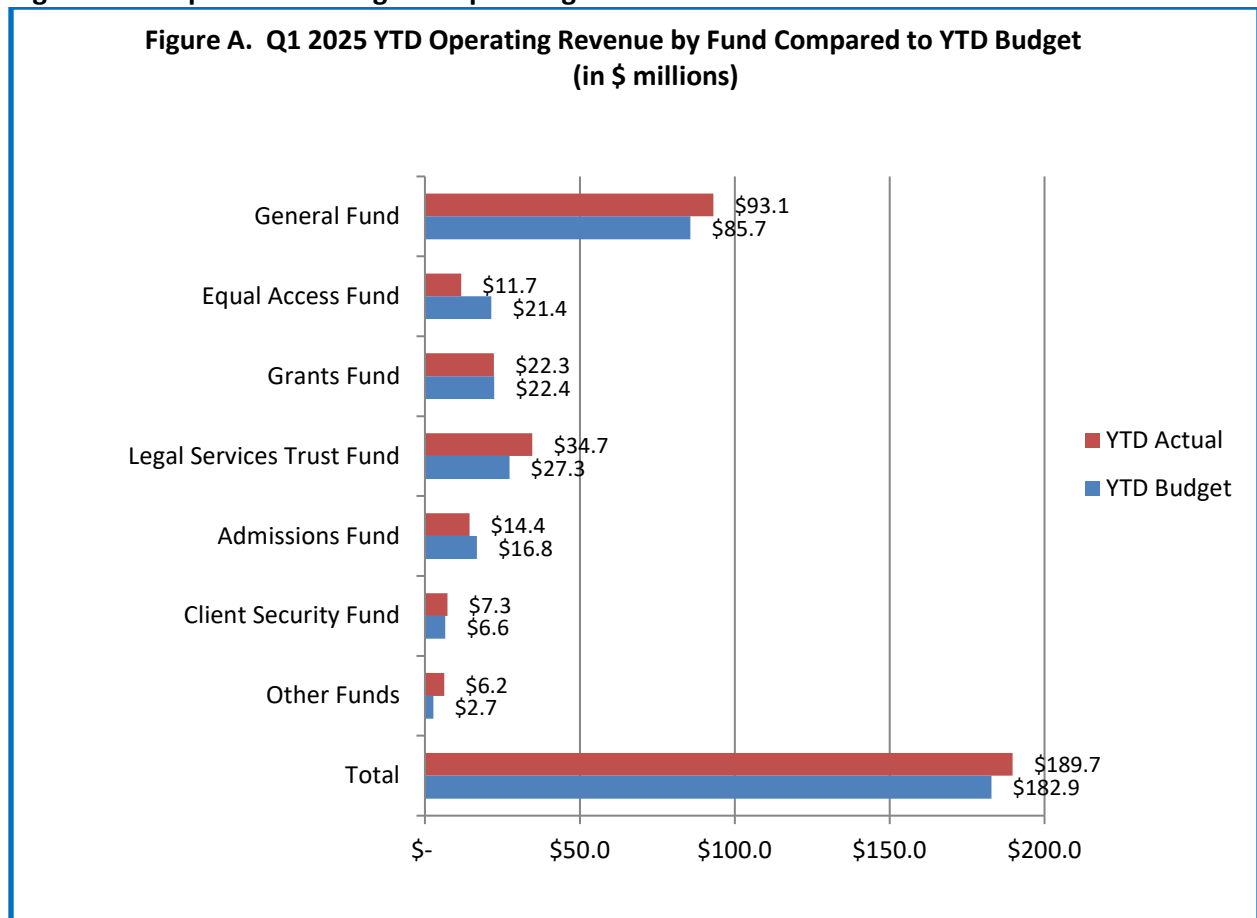
DISCUSSION

The charter of the Finance Committee directs the committee to thoroughly examine the State Bar's finances on a quarterly basis to ensure a "functional and detailed understanding of the State Bar's revenue streams, expenditures, and overall fiscal conditions and issues." This item provides the Finance Committee with the reports it needs to fulfill these responsibilities.

This staff report for review by the Committee consists of the Financial Statements for the three months ended March 31, 2025. This report provides the Committee with an understanding of the State Bar's revenue streams, expenditures, and overall fiscal condition.

REVENUE

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



Overall, bar-wide operating revenue for the three months ending March 31, 2025, totaled \$189.7 million, above budgeted operating revenue of \$182.9 million by \$6.8 million.

Operating revenue for the General Fund totaled \$93.1 million, \$7.4 million more than the budgeted revenue of \$85.7 million. The driver is the budget allocation of mandatory licensing fees, impacted by the change to the billing cycle. The two-month shift from December to February in the billing cycle resulted in a greater percentage of licensing fees collected earlier in the year compared to prior years. This does not indicate that total mandatory fee revenue will exceed the budget; rather, a larger percentage of revenue has been received by the end of the quarter.

Operating revenue for the Equal Access Fund totaled \$11.7 million, which is \$9.7 million less than budgeted revenue of \$21.4 million. The entire variance is due to delays in emergency funding intended to support legal services for vulnerable individuals who may be subject to detention, deportation, wage theft, or other risks to their safety arising from actual or potential federal actions. This variance is expected to resolve when funds from the Judicial Council are received by the end of the second quarter.

Operating revenue for the Grants Fund totaled \$22.3 million, slightly less than budget by \$0.1 million or 0.4 percent.

Operating revenue for the Legal Services Trust Fund totaled \$34.7 million, exceeding budgeted revenue of \$27.3 million by \$7.4 million. This variance is due to IOLTA revenues, which are \$7.4 million higher than the budget. The budget assumed a lower average daily balance of \$6.7 billion compared to the actual of \$7.7 billion for the first quarter. Additionally, the budget projected an interest rate of 1.8 percent, whereas the actual rate was 2.3 percent, exceeding expectations. The IOLTA average daily balance and interest rate forecasts are adopted annually by the Legal Services Trust Fund Commission and are then incorporated when developing the budget.

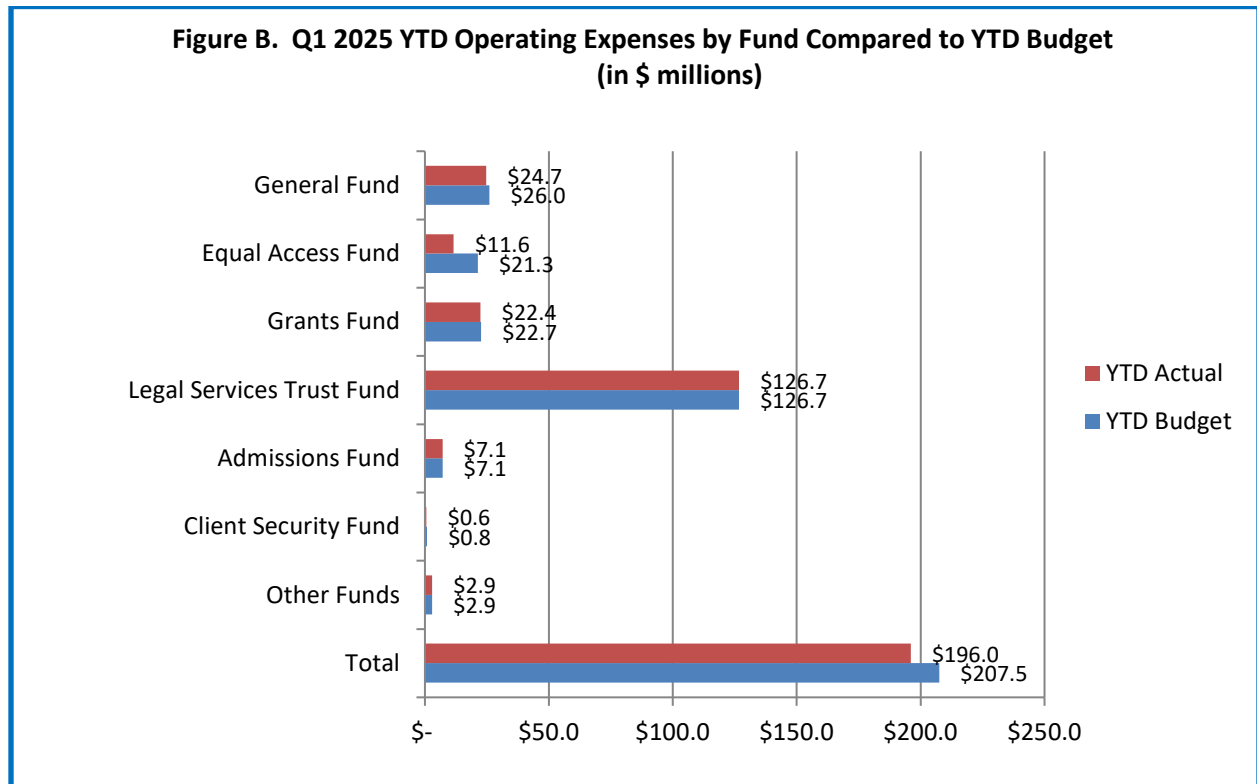
Admissions Fund revenue totaled \$14.4 million, falling \$2.4 million short of the \$16.8 million budget. Revenue from the February bar exam was \$1.3 million below projections due to the withdrawal deadline extension that allowed more applicants to request full refunds. July exam revenue is \$1.0 million below budget, primarily due to the delayed application period opening on March 27, compared to March 1 in prior years. Additional revenue shortfalls are expected as a result of the fee waivers offered to February exam applicants who either withdrew or did not pass.

Client Security Fund revenue, funded by mandatory licensing fees, totaled \$7.3 million, \$0.7 million more than the budgeted revenue of \$6.6 million. This variance is attributable to the same factors affecting mandatory fees in the General Fund, specifically the shift in the billing cycle resulting in a greater portion of revenue being collected earlier in the year.

Other Funds' revenue totaled \$6.2 million, exceeding budgeted revenue of \$2.7 million by \$3.5 million. The higher revenue is primarily due to donations to the Justice Gap Fund from class-action settlements.

EXPENSES

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



State Bar-wide operating expenses for the three months ending March 31, 2025, totaled \$196.0 million, \$11.5 million less than budgeted expenses of \$207.5 million.

General Fund expenses totaled \$24.7 million, \$1.3 million less than the budgeted revenue of \$26.0 million. The variance is primarily attributable to delays in invoicing and project commencement, which resulted in underspending in Professional Services (\$1.1 million) and IT equipment (\$0.2 million).

Equal Access Fund expenses were \$11.6 million, \$9.7 million lower than budgeted expenses of \$21.3 million. The variance is due to delays in the receipt of emergency funding for legal services mentioned above, which also delay the disbursement of such funding. This variance is expected to resolve by the end of the second quarter.

Grants Fund expenses were \$22.4 million, \$0.3 million less than budgeted expenses of \$22.7 million. This variance is due to delays in executing contracts for the CARE Court Grant, a grantee declining additional funds, and personnel savings from staff vacancies.

Legal Services Trust Fund expenses were on budget at \$126.7 million.

Admissions Fund expenses were on budget at \$7.1 million. This trend is not expected to continue due to the significant number of issues experienced in the February bar exam. Further,

the need to revert back to an in-person exam in July will add additional expenses to the Admissions budget. A midyear adjustment will be necessary to increase the Admissions expense budget by approximately \$2.6 million to account for the transition to in-person exam administration in July 2025.

Client Security Fund expenses were \$0.6 million, \$0.2 million less than the budgeted expenses of \$0.8 million. The savings are due to fewer eligible applications (\$0.4 million), partially offset by lower collections reimbursements (\$0.2 million). With the implementation of the Fresh Start Settlement Program in 2025, a budget assumption was made that collections would be \$4.0 million in 2025. Although collections have improved compared to the prior year, they remain slightly below the current budget.

Other Funds' expenses were on budget at \$2.9 million.

NONOPERATING REVENUE/EXPENSES

Nonoperating revenues/expenses encompass investment income, rental income, transfers, and interest expense on loans. Nonoperating revenue totaled \$3.4 million, which was \$0.5 million lower than the budgeted revenue of \$3.9 million. The variance is primarily attributable to lower-than-expected investment income, driven by moving the billing cycle two months later in the year and early disbursement of grant funds.

PREVIOUS ACTION

None

FISCAL/PERSONNEL IMPACT

None

AMENDMENTS TO RULES

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

None – compliance

RESOLUTIONS

Should the Finance Committee concur, it is:

RESOLVED, that the Finance Committee recommends that the Board of Trustees approve the 2025 Quarter One Financial Statements Report for the three months ended March 31, 2025.

Should the Board of Trustees concur, it is:

RESOLVED, that the Board of Trustees, upon recommendation of the Finance Committee, approve the 2025 Quarter One Financial Statements Report for the three months ended March 31, 2025.

ATTACHMENT LIST

- A.** Statement of Operating Revenue, Expenses and Changes in Net Position
- B.** Statement of Assets, Liabilities & Net Position