

6.6 Approval of 2024 Midyear Budget Variance Report (Including Quarter Two Financial Statements Report), Projection and Proposed Budget Amendment



The State Bar of California

OPEN SESSION

AGENDA ITEM

4.1 SEPTEMBER 2024

FINANCE COMMITTEE

DATE: September 19, 2024

TO: Members, Finance Committee
Members, Board of Trustees

FROM: Aracely Montoya-Chico, Chief Financial Officer

SUBJECT: Approval of 2024 Midyear Budget Variance Report (Including Quarter Two Financial Statements Report), Projection and Proposed Budget Amendment

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 2024 budget, projections for each fund for the fiscal year ending December 31, 2024, and proposed transfers and budget amendments.

RECOMMENDED ACTION

This agenda item requests the Finance Committee recommend the approval of the midyear variance report, projection, proposed transfers, and budget amendments to the Board of Trustees.

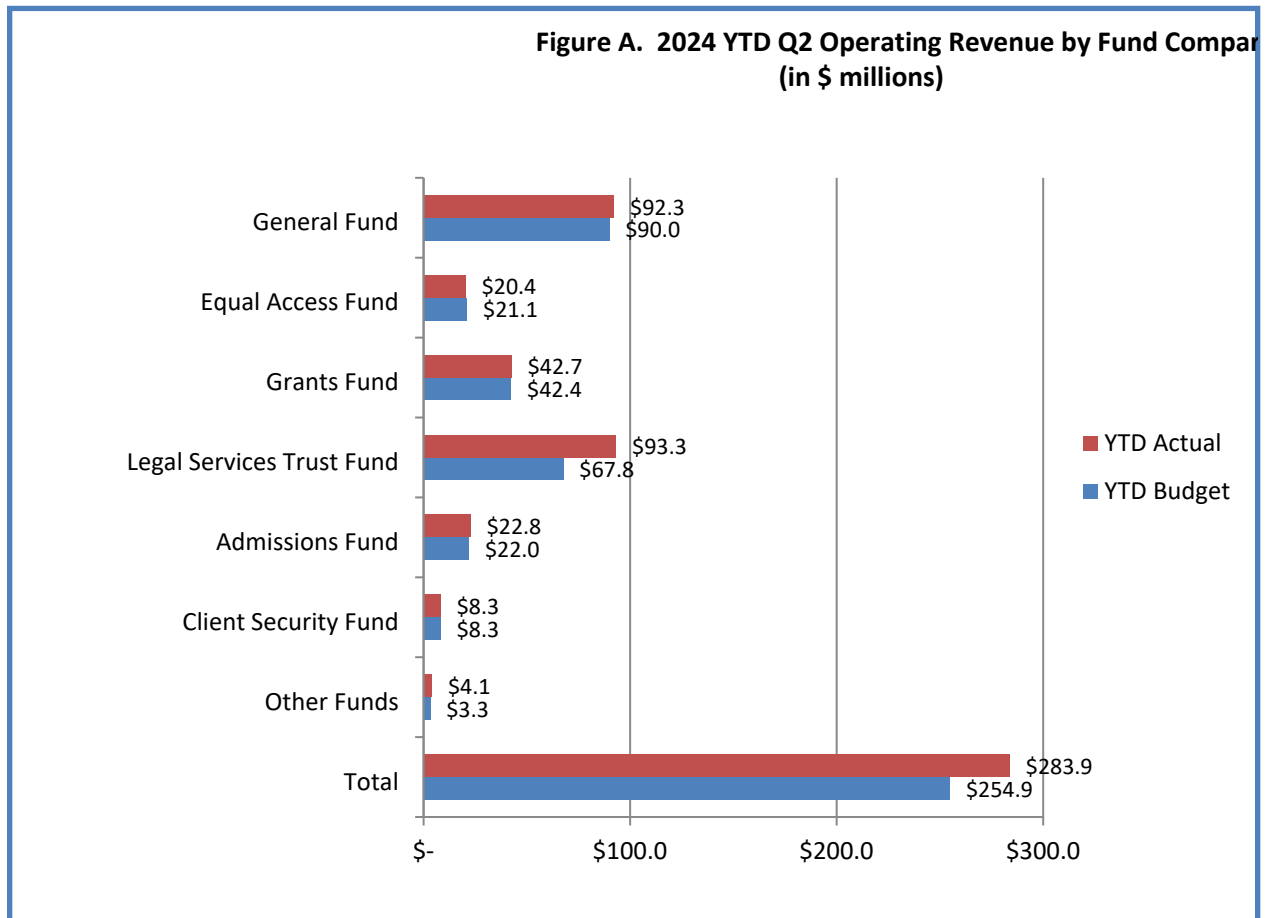
DISCUSSION

FINANCIAL STATEMENTS SUMMARY FOR THE SIX MONTHS ENDED JUNE 30, 2024 (ATTACHMENTS A & B)

The financial statements are composed of the operating results for the six months ended June 30, 2024, 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 June 30, 2024, totaled \$283.9 million, above budgeted operating revenue of \$254.9 million by \$29.0 million.

Operating revenue for the General Fund (GF) totaled \$92.3 million, \$2.3 million more than the budgeted revenue of \$90.0 million. The primary driver is \$1.9 million in late compliance fees related to the Client Trust Account Protection Program (CTAPP). The budget assumed a lower rate of noncompliance and subsequent penalties in the program's second year. This assumption did not materialize, resulting in higher revenues. In addition, \$0.2 million of the favorable variance are late fees from Law Corp Renewals and MCLE Provider Fees.

While total GF revenues are above budget primarily from late compliance fees, Mandatory Licensing Fees are still trending below budget as of Q2 by \$0.3 million. An additional \$1.8 million needs to be collected by the end of Q4 in order to meet the annual budget. It is likely that the final amount of licensing fees will fall short of the budgeted level. In the last six months of 2023, the State Bar collected \$1.0 million in mandatory fees. If this trend continues into 2024, mandatory fees would be approximately \$0.8 million short of budget.

Operating revenue for the Equal Access Fund totaled \$20.4 million, which is \$0.7 million less than budgeted revenue of \$21.1 million. This variance is primarily due to \$0.6 million in grant funds returned to the State Bar in 2023 and disbursed in Q1 2024. When the funds were returned, a grant payable was recorded. Upon distributing the returned funds in 2024, instead of recognizing revenue, the payable was reduced. In addition, there was \$0.1 million less in grant administrative reimbursement costs due to staff turnover, resulting in less billable time.

Operating revenue for the Grants Fund totaled \$42.7 million, which is \$0.3 million more than budgeted revenue of \$42.4 million. Homeless Prevention III grant revenues are above budget by \$1.1 million due to the distribution of returned proceeds from 2023. This increased revenue is mostly offset by grant administrative reimbursement costs below budget by \$0.6 million. The shortfall is due to reduced funding for the CARE court grant coupled with staff turnover, resulting in less billable time. 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 \$93.3 million exceeded budgeted revenue of \$67.7 million by \$25.6 million. The interest on Lawyers' Trust Accounts (IOLTA) accounts for all but \$0.1 million of the variance. The budget assumed the top 10 banks, which contribute 90 percent of IOLTA revenue, would have a total average daily balance of \$4.4 billion and with an average interest rate of 3.40 percent in the second quarter. However, the actual average daily balance is approximately \$5.527 billion, with an interest rate of 3.16 percent. While the interest rate was 24 basis points lower, the significantly higher daily balances offset the lower rate, resulting in the overall favorable variance.

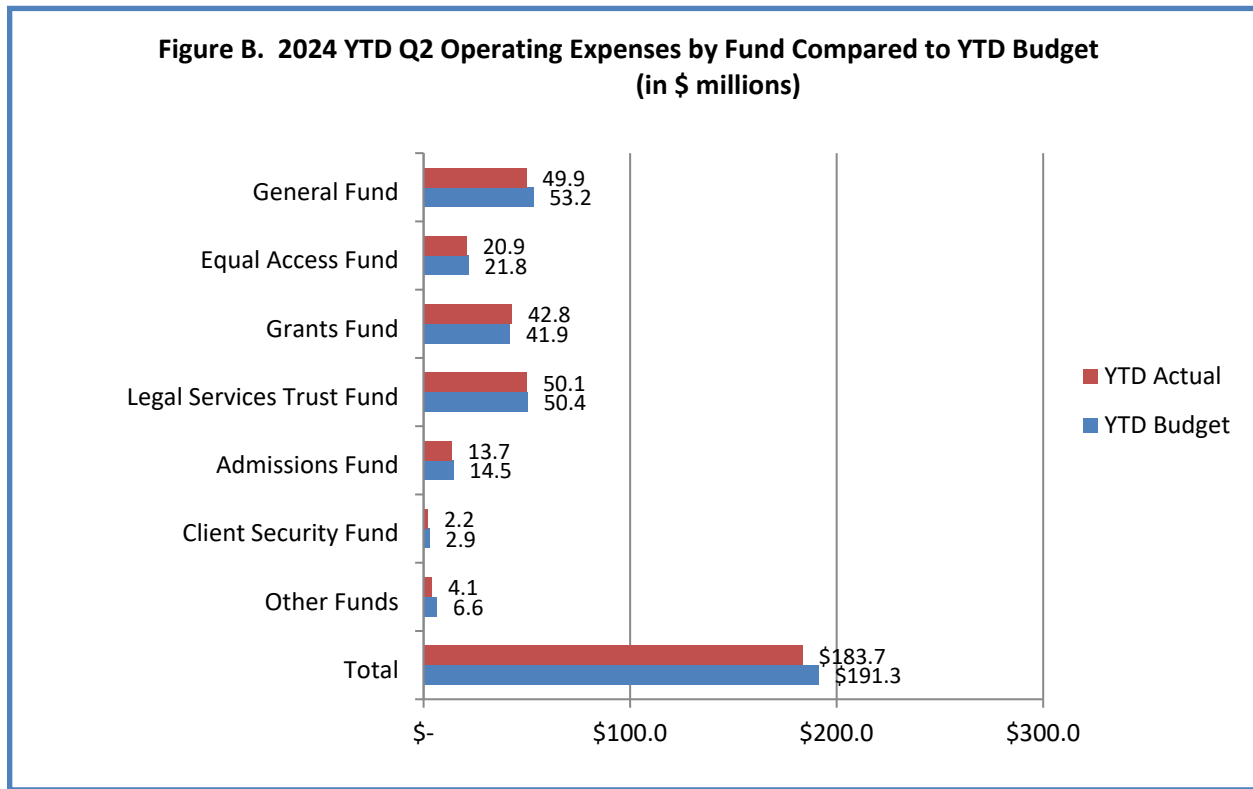
Admissions Fund revenue totaled \$22.8 million, exceeding budgeted revenues of \$22.0 million by \$0.8 million. Due to a larger number of applicants, exam fee revenues exceeded the budget by \$0.4 million. Similarly, \$0.4 million more revenue was collected for Moral Character Determination fees, Law Students and Attorney Applicants registration fees due to a larger number of applicants.

Client Security Fund revenue, funded by mandatory licensing fees, aligned with the budgeted revenue of \$8.3 million.

Other Funds' revenues amounted to \$4.1 million, surpassing budgeted revenues of \$3.3 million by \$0.8 million. Most of the variance is attributed to \$0.7 million higher revenues earned in the Justice Gap Fund from class-action suit settlements 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 six months ending June 30, 2024, totaled \$183.7 million, \$7.6 million less than budgeted expenses of \$191.3 million.

General Fund expenses totaled \$49.9 million, which is \$3.3 million less than budgeted expenses of \$53.2 million. This variance is due to the following:

1. Savings in personnel costs of \$1.1 million, of which \$1.5 million is due to the reversal of the accrual for the last week of payroll in December 2023¹, and \$0.5 million in CalPERS Unfunded Accrued Liability (UAL). The budget was developed assuming the unfunded rate applied to 100% of budgeted 2024 salaries, whereas the actual charges are derived from the actuarial valuation with a 2022 measurement (latest valuation available), prior to the latest MOU. Offsetting these savings are \$0.7 million higher than budget expenditures from severance, overtime, temporary help, and payroll taxes.
2. Professional Services savings of \$1.8 million from delayed projects that are paused or under review: IT (\$0.7 million) and non-IT (\$0.3 million), as well as savings from fewer referrals to the Rule 2201 program and reduced litigation costs (\$0.5 million).

¹ The first payroll of 2024 included five days from December 2023, which were accrued to the prior fiscal year. This accrual temporarily reduces employee expenses until a similar accrual occurs at the end of this year. To address this in the future, the 2025 budget will take into account this accrual, thereby eliminating the variance.

3. \$0.3 million in savings from hardware purchases due to the delayed start of two projects that should resolved by the end of the year.

Equal Access Fund expenses amounted to \$20.9 million, \$0.9 million less than budgeted expenses of \$21.8 million. A majority of this amount (\$0.7 million) is due to the underspend of grant expenses related to the return of prior year revenue mentioned above (\$0.6 million) plus \$0.1 million returned from 2024 disbursements. The remaining savings relate to the timing of invoice submissions and staff vacancies (\$0.2 million).

Grants Fund expenses were \$42.8 million, 0.9 million more than the budgeted \$41.9 million. HP III grant expenses are above budget by \$1.1 million due to the distribution of returned proceeds from 2023 referenced above. Offsetting this overspent is \$0.1 million of savings in personnel due to vacancies.

Legal Services Trust Fund expenses were \$50.1 million, \$0.3 million less than the budgeted expenses of \$50.4 million. Services are below budget by \$0.2 million due to the timing of invoices; however, they will align with the budget by year-end. Grant expenses are \$0.1 million below budget due to a combination of rejected and returned funds.

Admissions Fund expenses totaled \$13.7 million, \$0.8 million less than budgeted expenses of \$14.5 million. This variance is driven by the following:

1. \$0.4 million in savings in services due to pending invoices for testing accommodation consultants and grading and psychometric consultants, in addition to delayed spending on law school inspections.
2. \$0.2 million of savings related to the Multi-State Bar Exam and Laptop License due to fewer applicants than budgeted.
3. \$0.3 million savings from the February exam facility costs due to expansive use of State Bar facilities and use of staff volunteers as proctors, partially offset by \$0.1 million overspent in electrical costs.

Client Security Fund expenses were \$2.2 million, \$0.7 million less than the budgeted expenses of \$2.9 million. The savings are due to fewer applications eligible for payment in the first half of the year. Claim activity in the second half of the year will have more eligible claims, with final payouts for the year expected to exceed \$6.0 million.

Other Funds' expenses totaled \$4.1 million, \$2.5 million less than budgeted expenses of \$6.6 million. Most of the variance is due to a budgeting error of \$2.3 million in the Bank Settlement fund for disbursements that covered two years instead of one. This is being corrected in the budget amendment as part of the midyear projection.

NONOPERATING REVENUE/EXPENSES

Nonoperating revenues/expenses encompass investment income, rental income, transfers, and interest expense on loans. Nonoperating revenue totaled \$8.2 million, exceeding the budgeted revenue of \$4.8 million by \$3.4 million. This variance is due to investment income exceeding the budget by \$3.4 million.

2024 MIDYEAR FINANCIAL PROJECTIONS AS OF JUNE 30 (ATTACHMENT C)

The 2024 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 2024 revenues and expenses relative to the 2023 year-end reserve balances. These projections are based on the operating results for the six months ending on June 30, 2024.

The midyear projection estimates that bar-wide, the State Bar will end 2024 with a surplus of \$100.7 million, marking a substantial shift from the initially budgeted operating surplus of \$27.9 million. This significant change is almost entirely attributed to increased IOLTA revenues within the Legal Services Trust Fund.

Table 1. 2024 Midyear Projections (fund level)

in 000s	Reserves Balance 12/31/23	2024 Annual Projected Revenues	2024 Annual Projected Expenses	2024 Projected Surplus/ (Deficit)	Projected Reserves 12/31/24	Reserve Level (%)
General Fund	\$33,711	\$100,712	(\$115,731)	\$ (15,019)	\$18,692	16.2%
Restricted Funds						
Admissions	7,019	28,232	(30,282)	(2,050)	4,970	16.4%
Elimination of Bias	(2)	342	(428)	(86)	(88)	-20.5%
Lawyer Assistance Program	996	2,247	(2,864)	(617)	379	13.2%
Legislative Activities	243	49	(247)	(198)	45	18.3%
Bank Settlement	4,848	123	(2,302)	(2,179)	2,669	N/A
Client Security	8,849	9,094	(7,569)	1,526	10,375	N/A
Equal Access	2,721	37,243	(37,543)	(301)	2,420	N/A
Grants	6,050	64,276	(63,000)	1,276	7,326	N/A
Justice Gap	4,917	1,974	(1,008)	966	5,883	N/A
Legal Services Trust	188,424	217,142	(99,772)	117,370	305,794	N/A
Restricted Funds Total	224,065	360,722	(245,014)	115,708	339,773	
Totals	\$257,776	\$461,433	(\$360,744)	\$100,689	\$358,465	

The projected ending reserve target for the General Fund is anticipated to be 16.2 percent, falling below the established reserve policy target range of 17 to 30 percent. This represents an increase from the originally projected 11.8 percent at the time of budget adoption. Budget amendments and transfers will be detailed later in this item to redirect these savings to necessary projects.

In addition to the General Fund, three funds are projected to have reserves outside the target range of 17 to 30 percent.

Below 17 percent

Elimination of Bias Fund (-20.5 percent) – The Elimination of Bias Fund (EOB) is funded by a \$2 per attorney opt-out fee. The State Bar’s work in diversity, equity, and inclusion has increased over the past few years, and annual donations are insufficient to support these expenses. Ongoing activities will need to be supported by the General Fund.

Lawyer Assistance Program (13.2 percent) – The Lawyer Assistance Program (LAP) Fund is projected to have a year-end reserve balance of \$0.4 million in 2024. The LAP Fund reserves have dropped significantly over the past three years, largely from increased personnel costs. The State Bar will terminate its lease for separate LAP office space in April 2025, resulting in ongoing operational savings for the fund.

Admissions Fund (16.4 percent) – The Admissions Fund is projected to have an overall deficit of \$2.1 million, compared to a budgeted deficit of \$3.8 million. The \$1.7 million change consists of \$1.3 million in increased revenue and \$0.4 million in reduced expenses. The projected revenue surplus is primarily due to higher applicant exam and laptop fees from the February and July bar exams (\$0.4 million), more moral character applicants (\$0.5 million), and increased law student registration fees (\$0.1 million) than anticipated. The projected expense savings of \$0.4 million are due to underspending for the February and July Bar exams on facility and proctor costs.

Midyear projection highlights include the following:

General Fund: Overall, the General Fund has a projected deficit of \$15.0 million, compared to the adopted budget deficit of \$22.1 million. The \$7.1 million change is made up of increased revenue of \$4.3 million and reduced expense spending of \$2.8 million.

Adopted budgeted revenues are \$96.3 million, compared to projected revenues of \$100.7 million. The primary drivers for the increase in revenue are higher CTAAP/late compliance fees (\$3.2 million), increased investment income (\$1.4 million), and mandatory late license fees (\$0.3). Investment income remained high as the Federal Reserve has not reduced interest rates in 2024. This is partially offset by a shortfall in mandatory fees of \$0.9 million due to not meeting aggressive growth targets.

Adopted budgeted expenses were \$118.5 million, whereas expenses are projected to be \$115.7 million. The reduction in costs is due to the delayed elevator project in LA (\$1.5 million), savings from the digitization project (\$1.2 million), and reduced CalPERS unfunded liability contribution (\$1.0 million). These savings are slightly offset by increases in vacation and sick accrual expenses.

Client Security Fund (CSF): CSF is projected to have an overall surplus of \$1.5 million, compared to the budgeted surplus of \$0.5 million. A revenue surplus of \$0.2 million is from discipline sanction fees and investment income exceeding the budget. Expense savings of \$0.8 million result from reduced payouts than anticipated from the budget.

Equal Access Fund (EAF): EAF is projected to have a deficit of \$0.3 million, compared to a budgeted deficit of \$0.8 million. This reduction in the deficit is attributed to higher-than-anticipated interest income earned of \$0.1 million, personnel savings of \$0.1 million, and reducing grant expenses by \$0.2 million to bring grant revenue and expense into equilibrium.

Justice Gap Fund: The Justice Gap Fund is projected to have a surplus of \$1.0 million, compared to a budgeted surplus of \$0.2 million. This increase is attributed to higher-than-anticipated Cy Pres funds from settlements.

Legal Services Trust (LSTF) Fund: The LSTF is projected to have a surplus of \$117.4 million, compared to a budgeted surplus of \$58.5 million. The significant change from the adopted budget to the projected balance results from increased amounts deposited in IOLTA accounts than anticipated (the balance for the top ten banks totals approximately \$5.5 billion) combined with higher than anticipated interest rates earned and larger investments purchased during the year. Revenue projections, which are used to budget, are approved by the LSFT Commission each year.

Legislative Activities: The Legislative Activities Fund changed from opt-out to opt-in last year, significantly reducing revenue. The change reduced the fund's budget from \$700,000 in 2022 to \$55,000 in 2024. Actual revenue collected is only \$48,500 in 2024. The fund is forecasted to end the year with a balance of \$45,200.

2024 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, 2024, 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.

PROPOSED 2024 BUDGET AMENDMENTS/TRANSFERS BY ITEM (ATTACHMENT E)

The proposed budget adjustments were prepared based on actual financial data through June 30, 2024, which includes known revenues and expenditure activities. The purpose of these amendments/transfers is to correct inaccuracies and unanticipated changes in the adopted budget identified as part of the midyear budget assessment as described below. To make effective and efficient use of the State Bar's fiscal resources and advance Board adopted goals and objectives, staff proposes midyear budget amendments and transfers as follows:

1. Budget amendments to correct inaccuracies in the budget:
 - a. A grant expense adjustment of \$2.4 million in Bank Settlement to correct the inclusion of two years of disbursements and account for \$0.1 million of returned funds.
 - b. A grant revenue and expense adjustment of \$1.2 million to Homeless Prevention III to reflect the distribution of returned 2023 proceeds.

- c. An expense adjustment of \$0.1 million to Access/Lex to match the revenue which was captured in the adopted budget.
- 2. Budget amendments to capture unanticipated changes in income/expense:
 - a. A revenue adjustment of \$55.4 million to IOLTA which reflects larger account balances and robust interest rates.
 - b. A revenue and expense adjustment of \$0.8 million to EAF to reflect grant funds that were returned.
 - c. A revenue and expense adjustment of \$0.2 million to CalHFA of \$0.2 million to reflect grant reallocations.
 - d. A revenue and expense adjustment of \$32.5 million to CARE Court to reflect reduced funding.
 - e. An expense adjustment of \$0.2 million in EAF to match grant revenue.
 - f. An expense of \$0.2 million in LSTF to reflect unspent funds.
- 3. Budget transfers to capture unanticipated changes in income/expense:
 - a. Transfer \$0.2 million from Admissions February exam room rental to professional services for field testing of new multiple choice questions as well as operational testing of the new test administration platform.
 - b. Transfer \$1.0 million from the professional services line item related to the LA elevator project to IT professional services for ARIS enhancements. The current system needs replacing, and this transfer is to correct defects and provide enhancements until such time a replacement system can be obtained.
 - c. Transfer \$0.75 million from professional services for the digitization project in the Administration cost center to IT professional services to support the development of an offer and compromise collections platform.
 - d. Transfer \$1.2 million from the Administrative cost center professional services to the General Services cost center professional services for the digitization project. This non-substantive change moves the budget to where the expenses will be charged.
 - e. As mentioned in Q2 financial statements, there are savings in the CalPERS Unfunded Accrued Liability (UAL). The projected amount of these savings across the General Fund is \$1.0 million. This amendment requests the savings be transferred to the following:
 - i. Transfer \$0.5 million to OCTC Regular Salaries and Casual hourly to account for promotions and temporary help to address the backlog.
 - ii. Transfer \$0.4 million to Regulation to begin implementing the audit management system for CTAPP compliance reviews and the development of a practical trust account reconciliation course.
 - iii. Transfer \$0.1 million to General Services to cover the increased cost of restack in the San Francisco Building and a change order to the emergency generator in the San Francisco building the State Bar is responsible for per the terms of the sale of 180 Howard Street.

- iv. Transfer \$50,000 to Human Resources for employee recognition year-end events.
- v. Transfer \$23,000 to the State Bar Court for judges' salary increases.

These proposed amendments are detailed in Attachment E by item.

PREVIOUS ACTION

None

FISCAL/PERSONNEL IMPACT

Fiscal/personnel impacts are described herein.

AMENDMENTS TO RULES

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

None – core business operations

RESOLUTIONS

Should the Finance Committee concur, it is:

RESOLVED, that the Finance Committee recommends that the Board of Trustees approve the 2024 Midyear Budget Variance Report (including Q2 Financial Statements Report), Projection, and Budget Amendments/Transfers in the form presented this day, for six months ended June 30, 2024.

Should the Board of Trustees concur, it is:

RESOLVED, that the Board of Trustees, upon recommendation of the Finance Committee approves the 2024 Midyear Budget Variance Report (including Q2 Financial Statements Report), Projection, and Budget Amendments/Transfers in the form presented this day, for six months ended June 30, 2024.

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. 2024 Midyear Financial Projections**
- D. Budget-to-Actual Variance Analysis for the Six Months Ended June 30, 2024**
- E. Proposed 2024 Budget Amendments/Transfers by Item**

ATTACHMENT A

The State Bar of California Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide for Six Months Ended June 30, 2024

	General Fund	Other Funds	2024 Actual	2024 Budget	Variance- 2024 Actual vs Budget
OPERATING REVENUE					
Affinity Insurance Revenue	-	-	-	-	-
Continuing Legal Education Fees	2,597,879	-	2,597,879	596,400	2,001,479
EAF AB 145 Filing Fee Revenue	-	4,326,185	4,326,185	4,920,000	(593,815)
Exam App. & Moral Char. Fees	-	21,617,481	21,617,481	20,824,500	792,981
Grant Revenue	-	58,701,374	58,701,374	58,525,500	175,874
Law Corporation Registration Fees	1,341,369	-	1,341,369	1,222,500	118,869
Legal Specialization Fees	1,912,760	43,400	1,956,160	1,911,000	45,160
Licensing Fees and Donations	85,692,283	19,522,208	105,214,491	104,479,200	735,291
Multi-Jurisdictional Practice Fees	-	719,562	719,562	766,000	(46,438)
Other Revenue	774,605	518,150	1,292,755	989,500	303,255
Trust Account Revenue	-	86,110,669	86,110,669	60,668,700	25,441,969
Total Operating Revenue	92,318,896	191,559,029	283,877,925	254,903,300	28,974,625
OPERATING EXPENSES					
Access & Inclusion	-	116,245,442	116,245,442	118,996,255	(2,750,813)
Admissions	-	13,684,880	13,684,880	14,506,648	(821,768)
Regulation	3,384,824	-	3,384,824	3,490,305	(105,481)
Chief Trial Counsel	37,050,572	-	37,050,572	37,349,258	(298,686)
Client Security Fund	-	2,244,508	2,244,508	2,942,379	(697,871)
General & Administrative	(7,409,374)	-	(7,409,374)	(5,769,751)	(1,639,623)
Governance	4,918,650	114,665	5,033,315	5,760,961	(727,646)
Lawyers Assistance Program	-	860,153	860,153	848,153	12,000
Probation	1,067,830	-	1,067,830	1,023,064	44,766
Professional Competence	2,558,711	619,896	3,178,607	3,517,553	(338,946)
State Bar Court	8,400,070	-	8,400,070	8,691,303	(291,233)
Total Operating Expenses	49,971,283	133,769,544	183,740,827	191,356,128	(7,615,301)
OPERATING INCOME/(LOSS)	42,347,613	57,789,485	100,137,098	63,547,172	36,589,926

The State Bar of California
Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide
for Six Months Ended June 30, 2024

	General Fund	Other Funds	2024 Actual	2024 Budget	Variance- 2024 Actual vs Budget
NON-OPERATING					
Interest and Investment Income	2,199,637	6,296,971	8,496,608	5,084,500	3,412,108
Rental Income	242,547	-	242,547	225,400	17,147
Interest Expense on Loans and Leases	(132,147)	-	(132,147)	(132,000)	(147)
Principal Expense on Loans	(422,000)	-	(422,000)	(422,000)	-
Total Non-Operating	1,888,037	6,296,971	8,185,008	4,755,900	3,429,108
INCOME/(LOSS) BEFORE TRANSFERS	44,235,650	64,086,456	108,322,106	68,303,072	40,019,034
TRANSFERS					
49110-Transfer In From General Fund	-	495,000	495,000	495,000	-
49232-Trsf In From Justice Gap Fund	-	1,000,000	1,000,000	1,000,000	-
49410-Interfund Transaction-Revenue	59,730	7,235	66,965	-	66,965
69228-Transfer Out To LSTF	-	(1,000,000)	(1,000,000)	(1,000,000)	-
69320-Transfer Out to Admissions Fund	(495,000)	-	(495,000)	(495,000)	-
69410-Interfund Transaction-Expenses	(63,453)	(3,512)	(66,965)	-	(66,965)
TOTAL TRANSFERS	(498,723)	498,723	-	-	-
CHANGE IN NET POSITION	43,736,927	64,585,179	108,322,106	-	-
Net Position at beginning of year	8,246,219	218,626,493	226,872,712	-	-
NET POSITION AT June 30	51,983,146	283,211,672	335,194,818	-	-

The State Bar of California
Statement of Assets, Liabilities & Net Position
Bar Wide as of June 30, 2024

	General Fund	Other Funds	2024 Actual	Variance- 2024 vs. 2023
ASSETS & DEFERRED OUTFLOWS				
Cash	68,588,403	-	68,588,403	(101,593,796)
Investments	324,259,639	-	324,259,639	237,331,569
Accounts Receivable (net of allowances)	1,251,033	2,423,524	3,674,557	693,925
Lease receivable	4,122,769	-	4,122,769	(11,041,606)
Interfund Rec(Pay)	(306,914,683)	306,914,683	-	-
Other Assets	1,781,057	14,967	1,796,024	(9,053,009)
Capital Assets (net of depreciation)	115,863,303	-	115,863,303	16,726,666
Deferred Outflows	42,688,915	-	42,688,915	4,803,801
Total Assets & Deferred Outflows	251,640,436	309,353,174	560,993,610	137,867,549
LIABILITIES & DEFERRED INFLOWS				
Accounts Payable and Accrued Liabilities	11,317,250	1,942,044	13,259,294	1,140,673
Lease liabilities	51,009,468	-	51,009,468	50,217,562
Subscription Liabilities	2,510,868	-	2,510,868	2,510,868
Unearned Income	299,045	24,199,458	24,498,503	(20,696,642)
Loan Payable	11,596,000	-	11,596,000	(19,412,989)
Deferred Inflows	24,864,791	-	24,864,791	3,131,129
OPEB Liability	5,773,259	-	5,773,259	(1,620,044)
Pension Liability	92,286,609	-	92,286,609	10,937,257
Total Liabilities & Deferred Inflows	199,657,290	26,141,502	225,798,792	26,207,813
NET POSITION				
Net Position at Beginning of Year	8,246,219	218,626,493	226,872,712	112,824,636
Change in Net Position	43,736,927	64,585,179	108,322,106	(1,164,900)
Total Net Position	51,983,146	283,211,672	335,194,818	111,659,736
Total Liabilities & Net Position	251,640,436	309,353,174	560,993,610	137,867,549

STATE BAR OF CALIFORNIA
2024 MID-YEAR FINANCIAL PROJECTION

ATTACHMENT C

Fund Name	Reserve Balance	Revenue			Expense			2024 Totals		Projected Reserve Balance	Projected Reserve Level (%) **
	12/31/2023	2024 Annual Budget	Annual Projection	Projected Surplus/ (Shortfall)	2024 Annual Budget	Annual Projection	Projected Savings	Budget Surplus/ (Deficit)	Projected Surplus/ (Deficit)	12/31/2024	12/31/2024
General Fund	\$33,710,971	\$96,341,500	\$100,711,600	\$4,370,100	\$118,487,000	\$115,730,800	\$2,756,200	(\$22,145,500)	(\$15,019,200)	\$18,691,771	16.2%
Restricted Funds											
Admissions Fund	7,019,304	26,927,500	28,232,000	1,304,500	30,704,500	30,281,700	422,800	(3,777,000)	(2,049,700)	4,969,604	16.4%
Elimination of Bias Fund	(2,064)	325,000	342,300	17,300	482,000	428,000	54,000	(157,000)	(85,700)	(87,764)	-20.5%
Lawyer Assistance Fund	995,863	2,249,000	2,247,200	(1,800)	3,017,000	2,863,900	153,100	(768,000)	(616,700)	379,163	13.2%
Legislative Activities Fund	243,283	55,000	48,500	(6,500)	295,500	246,600	48,900	(240,500)	(198,100)	45,183	18.3%
Bank Settlement Fund	4,847,636	168,000	122,600	(45,400)	4,699,500	2,301,500	2,398,000	(4,531,500)	(2,178,900)	2,668,736	N/A
Client Security Fund	8,849,362	8,865,000	9,094,100	229,100	8,318,500	7,568,500	750,000	546,500	1,525,600	10,374,962	N/A
Equal Access Fund	2,720,715	37,921,000	37,242,600	(678,400)	38,732,000	37,543,300	1,188,700	(811,000)	(300,700)	2,420,015	N/A
Grants Fund	6,049,988	97,907,000	64,276,300	(33,630,700)	96,772,500	62,999,900	33,772,600	1,134,500	1,276,400	7,326,388	N/A
Justice Gap Fund	4,916,918	1,228,000	1,974,300	746,300	1,008,000	1,008,000	-	220,000	966,300	5,883,218	N/A
Legal Services Trust Fund	188,424,263	158,378,000	217,141,700	58,763,700	99,923,500	99,772,200	151,300	58,454,500	117,369,500	305,793,763	N/A
Restricted Funds Total:	\$224,065,268	\$334,023,500	\$360,721,600	\$26,698,100	\$283,953,000	\$245,013,600	\$38,939,400	\$50,070,500	\$115,708,000	\$339,773,268	
Grand Total	\$257,776,239	\$430,365,000	\$461,433,200	\$31,068,200	\$402,440,000	\$360,744,400	\$41,695,600	\$27,925,000	\$100,688,800	\$358,465,039	

** 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, 2024
REVENUE VARIANCES +/- \$100,000

ATTACHMENT D

	Cost Center	Cost Center Description	Revenue Category	Account	Account Description	2024 YTD Actual	2024 YTD Budget	YTD Variance Fav (Unfav)	Variance Explanation
FUND 110 - ADMINISTRATION & DISCIPLINE									
1	0001	Admin & Discipline Fund	Licensing Fees and Donations	40110	Mandatory Licensee Fees	\$ 82,336,364	\$ 82,625,000	\$ (288,636)	Variance is due to fewer active attorneys paid than projected due to an aggressive growth target.
2				40310	Penalties-Current Year	933,545	714,000	\$ 219,545	Variance is due to more penalties received as more attorneys paid past the deadline.
3			Investment Income	47110	Investment Income	1,950,712	1,350,000	\$ 600,712	Variance is due to continued higher than anticipated interest rates earned in our money market and investments purchased during the year.
4			Investment Income	47210	Unrealized Gain/Loss on Invest	248,925	-	\$ 248,925	Gains and Losses are not budgeted.
5	9110	Regulation	Other Fees	42380	Late Compliance Fees	2,267,975	350,000	\$ 1,917,975	Variance is due to late fees from CTAPP non-compliance. The budget assumed that CTAAP non-compliance and penalties would be zero in the program's second year. A significant number of attorney did not meet the compliance deadline, leading to higher than expected revenue. The \$350K budget was only for MCLE non-compliance fees.
6	9111	Child & Family Support	Other Fees	45901	All Other Miscellaneous	123,869	-	\$ 123,869	Variance is due to administrative reimbursements for administering the State Licensing Match System (SLMS) with the California Department of Child Support Services for the previous three-years. This is not normally budgeted.
FUND 118 - LEGAL EDUCATION AND DEVELOPMENT FUND									
7	1120	Group Insurance Programs	Affinity Insurance Revenue	45802	Life	1,103,347	1,275,000	\$ (171,653)	Variance is due to policy holder attrition after change in insurance carrier. These funds are disbursed to outside agencies - California Lawyers Association (CLA) and CalBar Affinity, and have no financial impact to the State Bar. There is an offsetting variance in the Passthrough account (Below) to record the disbursements.
8				45820	Passthroughs	(1,160,146)	(1,327,000)	\$ 166,854	Variance is due to a drop in Life Insurance Policy revenue (above) as there was less revenue to pass-through/disburse to CLA and CalBar Affinity.
FUND 228 - LEGAL SERVICES TRUST FUND									
9	8218	LSTF Grants	Grant Revenue	44310	IOLTA Revenue	86,110,669	60,668,700	\$ 25,441,969	Variance due to a continuation of significantly larger account balances than estimated in the budget.
10			Investment Income	47110	Investment Income	4,352,496	2,525,000	\$ 1,827,496	Variance is due to continued higher than anticipated interest rates earned and larger investments purchased during the year.
11			Investment Income	47210	Unrealized Gain/Loss on Invest	369,756	-	\$ 369,756	Gains and Losses are not budgeted.
12	8223	LSTF Asset BU	Licensing Fees and Donations	41110	Voluntary Fees/Donations	6,429,623	6,300,000	\$ 129,623	Variance is due fewer attorneys opting out of Legal Services voluntary fees.
FUND 229 - EQUAL ACCESS									
13	8225	Equal Access - Grants	Grant Revenue	44130	Ptnr Grant - EAF	4,101,185	4,695,000	\$ (593,815)	Variance is due to grant funds returned to the State Bar in 2023 and disbursed in 2024.
14	8227	Justice Gap Fund - BU	Licensing Fees and Donations	41113	Voluntary Fees/Donations – Cy Pres	732,143	-	\$ 732,143	Variance is due to Cy Pres donations from legal settlements that are unbudgeted.
FUND 312 - GRANTS									
15	8237	Equal Access - Homeless Prevention III	Grant Revenue	44110	Grant Revenue	27,086,081	26,000,000	\$ 1,086,081	Variance is due to re-distribution of funds in 2024 from returned, unused grantee funds from 2023.

	Cost Center	Cost Center Description	Revenue Category	Account	Account Description	2024 YTD Actual	2024 YTD Budget	YTD Variance Fav (Unfav)	Variance Explanation
16	8241	CARE Court	Grant Revenue	44210	Grant Administrative Cost Reimb.	307,602	745,000	\$ (437,398)	Variance is due to reduced funding, coupled with staff turnover, resulting in less billable time. Billings are expected to ramp up and close this gap with staff time dedicated to closing out the grant and the associated reporting.
17	2340	AccessLex	Grant Revenue	44410	Other Grants	2,788	230,000	\$ (227,213)	\$110K of the variance is due to timing of invoices received; the remainder will not be spent as it was not funded by AccessLex.
FUND 320 - ADMISSIONS									
18	8316	Admissions Revenue	Exam App. & Moral Char. Fees	43320	Attorney Applic.-New July	3,041,594	3,225,000	\$ (183,406)	Variance is due to fewer July exam attorney applicants than anticipated in the budget.
19				43110	Applic. Fees-New February	2,960,823	3,230,000	\$ (269,177)	Variance is due to fewer Feb exam student applicants than anticipated in the budget.
20				43120	Attorney Applic.-New February	2,519,922	2,189,000	\$ 330,922	Variance is due to more Feb exam attorney applicants than anticipated in the budget.
21				43310	Applic. Fees-New July	6,329,791	5,950,000	\$ 379,791	Variance is due to more July exam student applicants than anticipated in the budget.
22				43330	Laptop Fee-July	1,389,048	1,260,000	\$ 129,048	Variance is due to more July exam applicants than anticipated in the budget.
23				42402	Determination	3,034,063	2,785,000	\$ 249,063	Variance is due to more moral character applicants than anticipated in the budget.

STATE BAR OF CALIFORNIA
BUDGET-TO-ACTUAL VARIANCE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2024
EXPENSE VARIANCES +/- \$100,000

ATTACHMENT D

	Cost Center	Cost Center Description	Expense Category	Account	Account Description	2024 YTD Actual	2024 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
FUND 110 - ADMINISTRATION & DISCIPLINE									
1	1210	Strategic Communications	Personnel Expenses	50110	Regular Salaries	352,715	496,502	\$ 143,787	Variance is due to vacancies. 8 FTEs were budgeted and only 5 were filled at the beginning of the year. The office averaged 2.5 FTE vacancies in the first six months due to recruitments which took several months to fill.
2	1210	1310 Public Trust Liaison	Personnel Expenses	52105	Professional Services	125,399	236,744	\$ 111,345	Variance is due to project delays with the Contact Center implementation. These expenses will be realized later in the year.
3	6110	Chief Trial Counsel	Personnel Expenses	50250	CalPERS Employer Share	2,703,846	2,976,154	\$ 272,308	Variance is due to CalPERS Unfunded Accrued Liability (UAL) over-budgeting. The budget was developed assuming the unfunded rate applied to 100% of budgeted 2024 salaries. The actual charges are derived from the actuarial valuation with a 2022 measurement (latest valuation available), prior to the latest MOU. A budget transfer is being requested to transfer these funds to cover unanticipated expenses.
4				52105	Professional Services	20,376	175,397	\$ 155,021	Variance is due to lower case activity for outside counsel compared to last year. The budget was based on 2023 actuals for outside counsel.
5				50120	Casual Hourly Pay	190,179	-	\$ (190,179)	Variance is due to the budget including long-term casual attorneys and paralegals hired to address the case backlog in the salaries account. However, the actual costs are being recorded in this casual hourly account. Casual hourly staff actuals are in line with budget.
6			Payouts and Reimbursements	58230	CSF proc. Costs reimb. Collect	(872,296)	(1,132,409)	\$ 260,113	Variance is partially due to the interest calculation in the software used for collections, which caused delays in sending debt to FTB. Issues have been resolved and increased collections efforts in second half of the year will attempt to close this variance.
7	6120	Rule 2201 Conflict Cases	Professional Services	52105	Professional Services	319,151	534,299	\$ 215,148	Variance is due to less referrals from OCTC, resulting in less expenses in the first half of the year. In addition, recent hires to the Rule 2201 program have prior OCTC experience and are processing cases more efficiently.
8	7110	Clerk of the Court	Professional Services	50130	Special - Other Salary	-	150,000	\$ 150,000	Variance is due to implementation of judges' stipends, which is on hold pending fee bill passage but is expected to be incurred by end of year.
9	9110	Regulation	Personnel Expenses	50110	Regular Salaries	1,087,731	1,367,002	\$ 279,271	Variance is due to vacancies. 23.7 FTEs were budgeted and only 20 were filled at the beginning of the year. The office averaged 3 FTE vacancies through the first six months. Salary savings were offset (\$242K) by hiring temporary help (below) in response to the backlog of attorney emails.
10				50410	Temporary Outside Help/Contractors	242,468	-	\$ (242,468)	Variance due to hiring of temporary help in response to the backlog of attorney emails. The emails included matters such as compliance status for CTAPP and MCLE, payments, various individual account matters. This is offset by regular salary savings variance above.
11	9210	Professional Competence	Professional Services	52105	Professional Services	60,743	208,000	\$ 147,257	Variance is due to a slowdown of e-learning projects due to vendor issues.
FUND 123 - SUPPORT AND ADMINISTRATION									
12	5210	Human Resources	Personnel Expenses	50410	Temporary Outside Help/Contractors	-	120,000	\$ 120,000	HR has not used any of the budgeted temp help. However, HR hired casual hourly staff and cost are being incurred in that account. Temp help and casual hourly staff is often used interchangeably by offices. Net savings from temporary help line is \$91K.
13	5310	Information Technology	Computers & Software	55440	Software Maintenance	1,968,548	1,804,395	\$ (164,153)	Variance is due to a misalignment of invoice allocation and the budget, which will be resolved by the end of the year.
14	4110	General Counsel	Personnel Expenses	50110	Regular Salaries	1,844,184	2,143,499	\$ 299,315	Variance is due to vacancies. 26 FTEs were budgeted and only 20 were filled at the beginning of the year. The office has averaged 5 FTE vacancies through the first six months.
15				50150	Severance	162,131	-	\$ (162,131)	Variance is due to severance payout to staff upon separation, that is not historically budgeted.

	Cost Center	Cost Center Description	Expense Category	Account	Account Description	2024 YTD Actual	2024 YTD Budget	YTD Variance Fav/(Unfav)	Variance Explanation
16	5530	Risk Management/Insurance	Building Operations	51310	Insurance	580,689	748,998	\$ 168,309	Variance is primarily from savings on earthquake policy due to sale of the San Francisco building.
17	4110	General Counsel	Professional Services	52105	Professional Services	505,668	635,000	\$ 129,332	Variance is due to delayed invoice submissions and fewer referrals to Outside Counsel, as in-house attorneys are absorbing a greater share of the case load.
18	5310	Information Technology	Professional Services	52105	Professional Services	1,318,282	1,996,593	\$ 678,311	Variance is due to IT projects that are delayed and/or in review.
19			Computers & Software	55470	Equipment - Hardware Purch. Ca	4,252	322,500	\$ 318,248	Variance is due to delayed start of two projects. More expenses will be incurred the later part of the year.
20			Personnel Expenses	50110	Regular Salaries	2,577,006	2,466,002	\$ (111,004)	Variance is due to payouts of vacation and sick leave for multiple employees at the time of their separation.
FUND 227 - CLIENT SECURITY									
21	8720	Client Security Fund	Payouts and Reimbursements	58110	CSF Applications Paid	1,480,843	2,221,079	\$ 740,236	Variance is due to fewer applications eligible for payment than budgeted in the first half of the year. CSF anticipates more payouts in the second half of the year, ending the year at approximately \$6.0M out of the \$6.9M annual budget.
FUND 228 - LEGAL SERVICES TRUST FUND									
22	8219	LSTF Administration	Professional Services	52105	Professional Services	266,132	460,250	\$ 194,118	Variance is due to delayed spending. No savings are expected for the year and will ramp up in second half of the year.
FUND 229 - EQUAL ACCESS									
23	8224	Equal Access -Admin	Professional Services	52105	Professional Services	106,939	235,000	\$ 128,061	Variance is due to delayed spending. No savings are expected for the year and will ramp up in second half of the year.
24	8225	Equal Access - Grants	Legal Services Grants	53010	Grants Expenses	19,838,158	20,547,500	\$ 709,342	Variance is due to the return of prior year revenue of \$0.6M plus \$0.1M returned from 2024 disbursements.
FUND 237 - BANK SETTLEMENT									
25	8228	BofA-Second Settlement	Legal Services Grants	53010	Grants Expenses	2,260,285	4,521,000	\$ 2,260,715	Variance is due to a budgeting error that included two years instead of one. A budget amendment is submitted to correct this.
FUND 312 - GRANTS									
26	8237	Equal Access - Homeless Prevention III	Legal Services Grants	53010	Grants Expenses	27,086,081	26,000,000	\$ (1,086,081)	Variance is due to re-distribution in 2024 of returned, unspent grantee proceeds from 2023.
FUND 320 - ADMISSIONS									
27	8311	Admissions Overhead	Professional Services	52105	Professional Services	129,777	260,000	\$ 130,223	Variance is due to delayed invoice submissions for exam grading and psychometric consulting.
28	8312	Admission Operations	Exam Related Expenses	57110	Exam. Room Rental-Feb. GBX	442,976	750,000	\$ 307,024	Variance is due to use of State Bar facilities and use of staff as volunteers, resulting in less expenditures. A budget transfer is being requested to transfer \$225K to cover bar exam experiment.
29				57130	Exam. Room Rental-July GBX	250,656	-	\$ (250,656)	Variance is due to timing of invoices received earlier than budgeted; will be resolved by the end of the year.
30				57410	57410 Electrical - Feb GBX	253,774	151,000	\$ (102,774)	Variance is due to higher electrical costs related to labor and lighting.
31				57610	57610 Proctors-February GBX	799,290	900,000	\$ 100,710	Variance is from using less paid proctors and more staff volunteers.
32	8313	Admissions Administration	Professional Services	52105	Professional Services	76,712	210,000	\$ 133,288	Variance is due to delayed invoices for Testing Accommodation consultants and process improvements. By year end, these savings are expected to be approximately \$50K. Savings are a result of the newly implemented automatic approval process in the testing accommodation unit.

PROPOSED 2024 BUDGET TRANSFER - BY ITEM

Item	Fund	Cost Center	Account	Account Description	Budget Transfer Out	Fund	Cost Center	Account	Account Description	Budget Transfer In	Explanation
1) Budget Transfers to capture unanticipated changes in income/expense:											
1a	123	5520	52105	Professional Services	(1,000,000)	123	5310	52105	Professional Services	1,000,000	Transfer from LA Elevator Project to IT for ARIS enhancements to correct defects with KOALA system.
1b	123	5110	52105	Professional Services	(750,000)	123	5310	52105	Professional Services	750,000	Transfer from Digitization Project in Administration cost center to IT for an offer and compromise collections project.
1c	123	5110	52105	Professional Services	(1,200,000)	123	5510	52105	Professional Services	1,200,000	Transfer Digitization Project funds from Administration cost center to General Services. Non-substantive change.
1d	110-123	1110-9210	50250	CalPERS Employer Share	(1,015,000)	110	6110	50110	Regular Salaries	106,000	CalPERS UAL savings to OCTC for promotions to help address the backlog.
						110	6110	50120	Casual Hourly Pay	382,700	CalPERS UAL savings to OCTC for casual hourly staff to help address the backlog.
						110	9110	52105	Professional Services	363,300	CalPERS UAL savings to Regulation to begin implementing audit management system for CTAPP compliance reviews and development of practical trust account reconciliation course.
						126	5691	52105	Professional Services	40,000	CalPERS UAL savings to General Services to cover the increased cost of restack in San Francisco building.
						126	5615	52105	Professional Services	50,000	CalPERS UAL savings to General Services to cover a change order to the emergency generator the State Bar is responsible for per the terms of the sale of 180 Howard Street.
						123	5210	56210	Catering	50,000	CalPERS UAL savings to Human Resources for employee recognition year-end events.
						110	7140	50110	Regular Salaries	14,000	CalPERS UAL savings to State Bar Court for Hearing judges' salary increases.
						110	7160	50110	Regular Salaries	9,000	CalPERS UAL savings to State Bar Court for Presiding/Review judges' salary increases.
						1e	320	8312	57110	Exam Room Rental-Feb. GBX	(225,000)
320	8317	52105	Professional Services	75,000	February exam room rental savings to cover bar exam experiment to be held in 2024.						
					(4,190,000)	Total Reductions			4,190,000 Total Transfers		

PROPOSED 2024 BUDGET AMENDMENT - BY ITEM

Item	Fund	Cost Center	Account	Account Description	2024 Adopted Budget	Proposed Adjustment	2024 Amended Budget	Explanation
2) Budget Amendment to Correct Technical Inaccuracies:								
2a	312	8237	44110	Grant Revenue	26,000,000	(1,233,000)	24,767,000	To reflect the distribution of returned 2023 proceeds in Homeless Prevention III.
						(1,233,000)	Total grant-related revenue	
2b	312	2340	53010	Grants Expenses	-	(110,000)	(110,000)	Unbudgeted Access/Lex Grant Expenses
2b	237	8228	53010	Grants Expenses	(4,521,000)	2,375,000	(2,146,000)	To correct the inclusion of two years of Bank Settlement Grant disbursements, and account for \$114,000 of returned funds.
2b	312	8237	53010	Grants Expenses	(26,000,000)	1,233,000	(24,767,000)	To reflect the distribution of returned 2023 proceeds in Homeless Prevention III.
						3,498,000	Total grant-related expenses	
3) Budget Amendment to Capture Unanticipated Incomes and Expenses:								
3a	228	8218	44310	IOLTA Revenue	145,578,000	55,441,000	201,019,000	Adjustment to IOLTA reflect larger account balances and robust interest rates.
3a	229	8225	44110	Grant Revenue	31,056,000	(232,000)	30,824,000	Adjustment for returned funds.
3a	229	8225	44130	Ptnr Grant - EAF	4,695,000	(584,000)	4,111,000	Adjustment for returned 2022 funds.
3a	312	8238	44110	Grant Revenue	3,680,000	227,511	3,907,511	To reflect grant reallocations for CalHFA.
3a	312	8241	44110	Grant Revenue	50,113,000	(32,525,000)	17,588,000	To reflect reduction in Funds for CARE Court.
						54,852,511	Total grant-related revenue	
3b	228	8218	53010	Grants Expenses	(95,339,000)	191,000	(95,148,000)	To adjust LSTF grant budget spend to reflect unspent funds.
3b	229	8225	53010	Grants Expenses	(36,401,000)	1,016,000	(35,385,000)	Reduce by \$232K to match Grant Revenue, \$584K to match Partner Grant Revenue, and \$200K to bring expense and revenue into equilibrium.
3b	312	8238	53010	Grants Expenses	(3,680,000)	(227,511)	(3,907,511)	To reflect grant reallocations for CalHFA.
3b	312	8241	53010	Grants Expenses	(50,113,000)	32,525,000	(17,588,000)	To reflect reduction in Funds for CARE Court.
						33,504,489	Total grant-related expenses	



The State Bar of California

2024 Midyear Budget Variance Report, Quarter Two Financial Statements Report and Projection

Aracely Montoya-Chico, Chief Financial Officer

Finance Committee, September 19, 2024

2024 Q2 Financial Statement Revenue Results

Revenue Highlights

- General Fund – higher than budget due to late CTAAP compliance fees, Law Corp Renewals, and MCLE Provider fees
 - Mandatory fees projected to fall short of annual budget
- Equal Access Fund – lower than budget due to prior year returned grant funds
- Legal Services Trust Fund – higher than budget due to higher interest rates
- Admissions Fund – above budget due to more registered applicants for exams
- Other Funds – higher revenues in the Justice Gap fund from settlement donations

YTD ACTUAL REVENUE COMPARED TO BUDGET BY FUND

Financial Statement Category	Jun 30, 2024 Actual (in \$M)	Jun 30, 2024 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Revenue	\$283.9	\$254.9	\$29.0	11%
General Fund	92.3	90.0	2.3	3%
Equal Access Fund	20.4	21.1	(0.7)	-3%
Grants Fund	42.7	42.4	0.3	1%
Legal Services Trust Fund	93.3	67.8	25.5	38%
Admissions Fund	22.8	22.0	0.8	4%
Client Security Fund	8.3	8.3	0.0	0%
Other Funds	4.1	3.3	0.8	24%



2024 Q2 Financial Statement Expense Results

YTD ACTUAL EXPENSES COMPARED TO BUDGET BY FUND

Financial Statement Category	Jun 30, 2024 Actual (in \$M)	Jun 30, 2024 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Expenses	\$183.7	\$191.3	(\$7.6)	-4%
General Fund	49.9	53.2	(3.3)	-6%
Equal Access Fund	20.9	21.8	(0.9)	-4%
Grants Fund	42.8	41.9	0.9	2%
Legal Services Trust Fund	50.1	50.4	(0.3)	-1%
Admissions Fund	13.7	14.5	(0.8)	-6%
Client Security Fund	2.2	2.9	(0.7)	-24%
Other Funds	4.1	6.6	(2.5)	-38%

Expense Highlights

- General Fund – below budget due to savings in personnel , professional services, and hardware purchases
- Equal Access Fund – lower than budget due to prior year returned grants, timing of invoices, and staff vacancies
- Grants Fund – above budget due to distribution of returned 2023 funds
- Admissions Fund – below budget due to timing of graders/test accommodations/psychometric consultant invoices; exam savings due to use of SB facilities
- Client Security Fund – lower payouts than budget due to fewer eligible claims in the first half of the year
- Other Funds – lower than budget due to a budgeting error in Bank Settlement Fund



2024 Midyear Financial Projections

In \$000s	Reserves Balance 12/31/23	2024 Annual Projected Revenues	2024 Annual Projected Expenses	2024 Projected Surplus/ (Deficit)	Projected Reserves 12/31/24	Reserve Level (%)
General Fund	\$33,711	\$100,712	(\$115,731)	(\$15,019)	\$18,692	16.2%
Restricted Funds						
Admissions	7,019	28,232	(30,282)	(2,050)	4,970	16.4%
Elimination of Bias	(2)	342	(428)	(86)	(88)	-20.5%
Lawyer Assistance Program	996	2,247	(2,864)	(617)	379	13.2%
Legislative Activities	243	49	(247)	(198)	45	18.3%
Bank Settlement	4,848	123	(2,302)	(2,179)	2,669	N/A
Client Security	8,849	9,094	(7,569)	1,526	10,375	N/A
Equal Access	2,721	37,243	(37,543)	(301)	2,420	N/A
Grants	6,050	64,276	(63,000)	1,276	7,326	N/A
Justice Gap	4,917	1,974	(1,008)	966	5,883	N/A
Legal Services Trust	188,424	217,142	(99,772)	117,370	305,794	N/A
Restricted Funds Total	\$224,065	\$360,722	(\$245,014)	\$115,708	\$339,773	
Grand Total	\$257,776	\$461,433	(\$360,744)	\$100,689	\$358,465	



2024 Midyear Financial Projection Highlights

- **General Fund**

- Projected deficit of \$15M decreased from the adopted budget deficit of \$22.1M
 - Projected revenues increased from budget mostly due to late CTAPP compliance fees and investment income
 - Projected expenses decreased from budget due to delayed LA elevator project, savings from the digitalization project, and reduced CalPERS unfunded actuarial liability contribution

- **Client Security Fund**

- Projected surplus of \$1.5M increased from the adopted budgeted surplus of \$0.5M
 - Projected revenues above budget due to investment income and discipline sanction fees
 - Projected expense savings compared to budget due to reduced payouts than anticipated

- **Equal Access Fund**

- Projected deficit of \$0.3M decreased from the adopted budgeted deficit of \$0.8M
 - Projected revenues are higher than budget due to more interest income earned
 - Projected expenses savings compared to budget are from personnel and grant expenses
 - Revenues and expenses are mostly pass-through to grantees

- **Legal Services Trust Fund**

- Projected surplus of \$117.4M increased from the adopted budget surplus of \$58.5M; ending reserve of \$305.8M
 - Projected revenue significantly higher than budget due to increased amounts deposited in IOLTA accounts; revenue projections are approved by the LSTF Commission
 - Revenues and expenses are mostly pass-through to grantees



Midyear Budget to Variance Analysis Report

- The budget-to-variance report summarizes significant budget variances (favorable and unfavorable) by comparing actual operating results to budgeted amounts for revenues and expenses for the six months ended June 30, 2024
- Budget variances at the cost center line-item greater/less than \$100,000 (per Board Book)
- Variances are detailed in Attachment D



Proposed Budget Amendments/Transfers

- Prepared based on actual financial data through June 30, 2024
- Purpose is to correct inaccuracies and unanticipated changes in the adopted budget
- Amendments and transfers are detailed in Attachment E
 - Budget transfer are mostly between cost centers in the consolidated General Fund
 - Proposed amendments are all for grant-related revenues and expenses



QUESTIONS?

