



THE STATE BAR OF CALIFORNIA

OFFICE OF ADMISSIONS
Gayle E. Murphy, *Senior Executive*

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MEMORANDUM

DATE: February 17, 2009

TO: Members, Board Committee on Planning, Program Development and Budget

FROM: Gayle E. Murphy, Senior Executive, Admissions

SUBJECT: STATUS OF OFFICE OF ADMISSIONS BUDGET AND PROPOSED ADJUSTMENT OF ADMISSIONS FEES

The last adjustment in Admissions fees was approved by the Board of Governors on June 23, 2005 and was implemented in January 2006. Attached as Appendix A is the schedule of the current Admissions fees charged. Due to an increase in the number of applicants during the last several years, the 2006 fee increase was adequate to ensure that the costs of administering the Admissions' programs were in line with revenue. As the following chart indicates, however, the number of applicants is decreasing, which will negatively affect projected revenue. The decrease comes for several reasons. One reason in particular is the higher than usual pass rate on the July 2008 California Bar Examination. While certainly it is a good thing for the affected applicants and the State Bar's general fund as the new attorneys pay their dues beginning this year, it will result in fewer applicants taking the February 2009 examination and the figure used for the projected income for this year will have to be reduced.

| | <u>Bar Examination</u> | <u>First-Year Law Students' Examination</u> | <u>Moral Character</u> |
|-------|------------------------|---|------------------------|
| 2005 | 13,564 | 1,652 | 8,160 |
| 2006 | 14,428 | 1,767 | 8,094 |
| 2007 | 14,033 | 1,498 | 8,308 |
| 2008 | 13,901 | 1,438 | 9,115 |
| 2009* | 13,443 | 1,380 | 8,690 |

Total revenue during this same time period has been as follows:

| | |
|-------|--------------|
| 2005 | \$14,241,898 |
| 2006 | \$15,383,760 |
| 2007 | \$16,984,984 |
| 2008 | \$16,915,083 |
| 2009* | \$16,672,102 |

*Projected for 2009

Through 2007, the reserve or prior year's carry-forward did not have to be used to cover expenses. Beginning in 2008, however, approximately \$469,111 was used from the reserve. The prior years' carry-forwards have been:

| | |
|-------|-------------|
| 2005 | \$1,869,937 |
| 2006 | \$3,423,532 |
| 2007 | \$3,952,694 |
| 2008 | \$3,383,583 |
| 2009* | \$1,874,504 |

In the past, it was believed a reserve in the Admissions Fund should always be maintained in the event there is an incident that might require an unplanned expenditure of funds, such as a security breach or catastrophic event like an earthquake or flood that would substantively affect an administration of an examination.

During this same time period, as shown in the following chart, the cost of administering the Admissions' programs has grown significantly. While salary cost is one of the contributing factors associated with the increase in expense, the cost of renting examination-related facilities, compensating the proctors and independent contractors, the Interfund and outside contracts, such as purchase of the Multistate Bar Examination (MBE), have also grown significantly over the last several years.

| | |
|-------|--------------|
| 2005 | \$13,824,150 |
| 2006 | \$15,304,433 |
| 2007 | \$16,785,842 |
| 2008 | \$17,384,194 |
| 2009* | \$18,181,181 |

In projecting future budgets, it appears the reserve will be depleted as the cost of the Admissions' programs will continue to exceed anticipated revenues. If this trend continues, the Admissions Fund will have a projected negative year-end balance of approximately \$260,000 in 2010 and \$2,860,000 in 2011, which would continue to build significantly thereafter if a fee adjustment (or substantive changes to the Admissions' programs) is not implemented.

As a first step, certain savings that could be made in the 2009 budget have been identified by Office of Admissions' staff, which would result in an approximate reduction in the 2009 budget previously approved by the Board of Governors of \$500,000. In addition, if changes are made to the State Bar's general fund, there is the possibility that the Interfund charge will be reduced, which would also affect the bottom line relative to anticipated expense for this year and the future.

*Projected for 2009

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After consideration of all the factors noted above, the Committee of Bar Examiners (Committee) has deferred consideration of a final proposal regarding an adjustment of Admissions fees until the final 2009 budget numbers are known, which will affect future projects and possible deficits. The Committee's proposal has been rescheduled for consideration during the Board Committee and Board of Governors' May meetings.

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