



THE STATE BAR OF CALIFORNIA

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Date: October 20, 2010
To: Planning, Program Development and Budget Committee
From: Peggy Van Horn
Re: 2011 Budget Assumptions

Background

As you are aware, the State Legislature has continued into 2011 its freeze on the level of dues the Board of Governors is authorized to assess the members. In addition, the Legislature has earmarked \$10 of the Bar's dues for legal services programs to help offset the fall in IOLTA revenues. As a result, the General Fund will lose approximately \$2 million in revenue to finance basic State Bar operations for 2011.

We expect the Board of Governors will spend considerable time during 2011 deliberating on the Bar's structure and its long-term strategy beginning with the November Planning Session. In the interim, the Budget Subcommittee has authorized the Office of Finance to develop a "status quo" budget for 2011 to provide the Bar with a spending plan effective January 2011.

Since there will be minimal change between the 2010 and 2011 budgets, I am not currently planning to make a formal, detailed presentation of the Proposed 2011 Budget at the November Board meeting unless the Committee desires otherwise. This memo will outline the major cost drivers in the 2011 budget that may increase the spending plan for 2011 over 2010. I do not anticipate that these changes will result in significant cost increases in expenditure levels.

Outlined below are the major assumptions used in developing the status quo budget for 2011:

1. The State Bar remains under a "salary freeze," so no step or merit increases are built into the proposed budget.
2. The average increase in health insurance premiums is 9%. This is expected to result in a \$600,000 increase in health care costs Bar-wide. The increase to the General Fund will approximate \$380,000 of this amount.

3. The contribution rate to the California Public Employees Retirement System is expected to be 17.8% in 2011 versus the 2010 budgeted contribution rate of 21%. This reduced contribution rate is expected to decrease the Bar's pension contribution in an amount sufficient to offset the increase in health insurance premiums.
4. General supplies and services budgets are "flat-lined" at their original 2010 budget amounts.
5. No new programs or staff positions are allowed.
6. No new facility capital improvements are included.
7. We have instructed revenue generating departments to take a conservative approach to forecasting 2011 revenues.
8. The \$10 diversion of member dues to legal service programs will be budgeted in the Legal Services Fund and shown as a revenue reduction in the General Fund.

The 2011 budget document will continue to provide descriptive narrative of the Bar's programs, initiatives, and accomplishments as well as performance measures within the disciplinary programs.

Budget adoption is currently scheduled to occur at the Board's November 19th meeting. Barring technical difficulties, I plan to have the document mailed to all Board members by November 8th.

I look forward to discussing the 2011 budget process with you on Monday.