

STATE BAR *of* TEXAS

2021-2022 PROPOSED COMBINED BUDGET

The State Bar proposed budgets for the 2021-2022 fiscal year are included here for your information. If you would like a copy of the budget summary, contact the State Bar finance division director at 800-204-2222, ext. 1481. All interested persons are invited to a public hearing on the proposed budgets scheduled for 9 a.m. Tuesday, April 6, 2021, in Room 101 at the Texas Law Center, 1414 Colorado, Austin, TX 78701. Because of the ongoing COVID-19 pandemic, it is possible this hearing will be held remotely. Please go to texasbar.com/ourfinances for updates and instructions on how to participate remotely. The General Fund is the operating fund for the State Bar of Texas. The Texas Bar Books Fund is considered an Enterprise Fund, which is defined as a proprietary fund that is used to account for goods/services provided to the general public on a user-charge basis. The Special Revenue Funds are independent funds and do not use any membership dues or revenues from the General Fund for operations. Capital Projects Funds are used to account for the acquisition and construction of the State Bar's major capital facilities and other capital expenditures.

	GENERAL FUND	TEXAS BAR BOOKS FUND	SPECIAL REVENUE & CAPITAL PROJECTS FUNDS	TOTAL PROPOSED COMBINED BUDGET
REVENUES & RECEIPTS				
MEMBERSHIP DUES	\$21,492,546	\$0	\$0	\$21,492,546
FEES	17,173,875	30,000	2,058,525	19,262,400
ADVERTISING	748,000	0	0	748,000
SALES	998,879	2,342,161	26,300	3,367,340
INVESTMENTS	100,000	300	60,548	160,848
GRANTS	0	0	352,750	352,750
CONTRIBUTIONS	665,139	0	360,000	1,025,139
ADMINISTRATIVE FEES	672,800	48,922	0	721,722
RENT	172,673	0	0	172,673
OTHER REVENUE	1,381,266	1,323,500	5,000	2,709,766
TOTAL REVENUES	\$43,405,178	\$3,744,883	\$2,863,123	\$50,013,184
RECEIPTS FROM RESERVES	1,666,405	0	223,000	1,889,405
TOTAL REVENUES & RECEIPTS	\$45,071,583	\$3,744,883	\$3,086,123	\$51,902,589
EXPENDITURES				
SALARIES	\$17,966,317	\$1,308,192	\$592,893	\$19,867,402
BENEFITS	6,540,681	450,010	214,610	7,205,301
TRAVEL	2,072,916	44,500	168,300	2,285,716
MEETINGS & CONFERENCES	4,424,944	2,400	643,110	5,070,454
PROFESSIONAL SERVICES	3,052,776	135,624	424,491	3,612,891
COURT FEES	88,100	0	0	88,100
PUBLICITY/ADVERTISING	596,950	92,000	202,233	891,183
DUES/SUBSCRIPTIONS/LICENSES	730,299	68,215	32,920	831,434
EDUCATION/TRAINING	199,418	9,440	2,400	211,258
SUPPLIES/AWARDS/GIFTS/SPEC. ITEMS	583,987	27,500	99,400	710,887
RENTALS—OFFICE, EQUIPMENT, STORAGE	1,208,464	164,376	179,000	1,551,840
MAINTENANCE/REPAIR	683,774	30,600	350,000	1,064,374
UTILITIES	248,960	0	0	248,960
POSTAGE & FREIGHT	803,583	141,494	51,433	996,510
TELEPHONE	395,619	3,900	25,800	425,319
INSURANCE	688,583	7,500	0	696,083
ADMINISTRATIVE	423,323	747,852	838,600	2,009,775
FIXED ASSETS	26,500	64,000	1,308,398	1,398,898
PRINTING & COPYING	1,231,184	359,202	66,385	1,656,771
RESERVE FOR CONTINGENCIES	150,000	0	0	150,000
TOTAL EXPENDITURES	\$42,116,378	\$3,656,805	\$5,199,973	\$50,973,156
BOARD COMMITMENTS (IN)/OUT	1,666,405	0	(1,213,398)	453,007
TRANSFERS (IN)/OUT	1,288,800	0	(1,288,800)	0
TOTAL EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$45,071,583	\$3,656,805	\$2,697,775	\$51,426,163
NET REVENUES & RECEIPTS OVER EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$0	\$88,078	\$388,348	\$476,426
TOTAL BUDGETED FULL-TIME EQUIVALENTS	263.13	19.63	7.88	290.64

STATE BAR *of* TEXAS

2021-2022 PROPOSED GENERAL FUND BUDGET

REVENUES & RECEIPTS

Attorney Membership Fees	\$21,492,546
Accounting/Management Fees	658,255
Bar Journal Revenue	552,577
MCLE Fees	3,453,950
TexasBarCLE Revenue	13,454,193
Website Revenue	495,000
CDC Disciplinary Fees	555,405
Advertising Review Fees	368,600
Member Benefit Fees	935,309
Other Revenue	1,439,343
TOTAL REVENUES	\$43,405,178
Receipts from Reserves	1,666,405
TOTAL REVENUES & RECEIPTS	\$45,071,583

EXPENDITURES, BOARD COMMITMENTS & TRANSFERS

EXECUTIVE DIVISION	BUDGET	FTEs
Executive	\$680,604	2.88
Associate Executive Director/Legal Counsel	695,474	3.00
Deputy Executive Director	232,248	1.00
Deputy Executive Director/External Affairs	262,493	1.00
Officers & Directors	1,144,483	-
Human Resources	305,166	2.00
Training/Tuition	62,133	-
MEMBER & PUBLIC SERVICES DIVISION		
Center for Legal History	\$153,576	2.00
Law-Related Education	519,847	3.00
Government Relations	261,144	1.50
Texas Young Lawyers Association	1,010,511	3.00
LeadershipSBOT	98,672	-
Sections	340,715	4.00
Local Bars	460,582	4.00
Special Events	73,604	-
Law Student Department	20,266	-
Volunteer Committees	320,062	1.00
LEGAL & ATTORNEY SERVICES DIVISION		
Legal & Attorney Services	\$234,651	1.00
Texas Lawyers' Assistance Program	494,789	5.00
Legal Access Division	1,528,472	7.50
ACCESS TO JUSTICE COMMISSION	\$686,301	3.00
LAW PRACTICE MANAGEMENT DIVISION	\$181,780	1.00
PROFESSIONAL DEVELOPMENT DIVISION		
TexasBarCLE	\$9,682,518	40.00
Minority Affairs	546,474	3.00

EXPENDITURES, BOARD COMMITMENTS & TRANSFERS CONTINUED

ATTORNEY COMPLIANCE DIVISION	BUDGET	FTEs
Attorney Compliance	\$188,133	1.00
Advertising Review	150,397	2.00
Client Attorney Assistance Program	536,421	8.00
Lawyer Referral	373,183	4.00
MCLE	571,649	7.00
OPERATIONS/SECURITY		
Purchasing & Facilities	\$1,311,814	5.75
Customer Service	386,118	3.00
RESEARCH & ANALYSIS	\$239,555	2.00
MEMBER BENEFITS	\$88,263	-
FINANCE DIVISION		
Accounting	\$1,052,091	12.00
Membership	621,780	7.00
Other Administrative	2,106,883	-
IT DEPARTMENT		
Information Technology	\$1,233,964	8.00
COMMUNICATIONS DIVISION		
Communications	\$258,476	2.00
Bar Journal	1,306,390	4.50
Printing & Graphics	323,338	4.00
Public Information	172,045	1.50
Website	408,740	2.00
PUBLIC PROTECTION DIVISION		
Chief Disciplinary Counsel	\$9,930,881	95.50
Statewide Committees	243,800	-
Ombudsman	87,223	1.00
Board of Disciplinary Appeals	528,669	3.00
BOARD COMMITMENTS	\$1,666,405	1.00
TRANSFERS TO SPECIAL REVENUE & CAPITAL PROJECTS FUNDS		
Texas Law Center Fund	\$288,800	
Technology Fund	500,000	
Client Security Fund	500,000	
TOTAL EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$45,071,583	
TOTAL REVENUES & RECEIPTS OVER EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$0	
TOTAL BUDGETED GENERAL FUND FTEs		263.13

(FTE—Full-Time Equivalent)

STATE BAR *of* TEXAS

2021-2022 PROPOSED BUDGETS FOR SPECIAL REVENUE & CAPITAL PROJECTS FUNDS

	LAW FOCUSED GRANTS	TEXAS BOARD OF LEGAL SPECIALIZATION	TEXAS BAR COLLEGE	CONVENTION FUND	BUILDING FUND	TECHNOLOGY FUND	CLIENT SECURITY FUND	TOTAL
REVENUES								
FEES	\$0	\$1,470,250	\$288,275	\$300,000	\$0	\$0	\$0	\$2,058,525
SALES	0	0	1,300	25,000	0	0	0	26,300
INVESTMENTS	0	35,000	1,000	0	14,548	0	10,000	60,548
GRANTS	352,750	0	0	0	0	0	0	352,750
CONTRIBUTIONS	0	0	0	360,000	0	0	0	360,000
RESTITUTION	0	0	0	0	0	0	5,000	5,000
TOTAL REVENUES	\$352,750	\$1,505,250	\$290,575	\$685,000	\$14,548	\$0	\$15,000	\$2,863,123
RECEIPTS FROM RESERVES	0	0	0	0	0	223,000	0	223,000
TOTAL REVENUES & RECEIPTS	\$352,750	\$1,505,250	\$290,575	\$685,000	\$14,548	223,000	\$15,000	\$3,086,123
EXPENDITURES								
SALARIES	\$0	\$523,444	\$69,449	\$0	\$0	\$0	\$0	\$592,893
BENEFITS	0	188,250	26,360	0	0	0	0	214,610
TRAVEL	61,000	55,000	42,000	10,300	0	0	0	168,300
MEETINGS & CONFERENCES	0	75,000	20,000	548,110	0	0	0	643,110
PROFESSIONAL SERVICES	222,775	165,000	27,716	9,000	0	0	0	424,491
PUBLICITY/ADVERTISING	0	158,733	7,000	36,500	0	0	0	202,233
DUES/SUBSCRIPTIONS/LICENSES	0	30,000	2,500	420	0	0	0	32,920
EDUCATION/TRAINING	0	1,650	750	0	0	0	0	2,400
SUPPLIES/AWARDS/GIFTS/SPEC. ITEMS	50,400	12,000	20,000	17,000	0	0	0	99,400
RENTALS—OFFICE, EQUIPMENT, STORAGE	0	170,000	9,000	0	0	0	0	179,000
MAINTENANCE/REPAIR	0	0	0	0	350,000	0	0	350,000
POSTAGE & FREIGHT	5,600	7,833	15,000	23,000	0	0	0	51,433
TELEPHONE	0	25,000	800	0	0	0	0	25,800
ADMINISTRATIVE	6,600	76,600	32,000	8,400	0	0	715,000	838,600
FIXED ASSETS	0	7,000	0	0	65,000	1,236,398	0	1,308,398
PRINTING & COPYING	6,375	9,740	18,000	32,270	0	0	0	66,385
TOTAL EXPENDITURES	\$352,750	\$1,505,250	\$290,575	\$685,000	\$415,000	\$1,236,398	\$715,000	\$5,199,973
BOARD COMMITMENTS - TRANSFERS IN	0	0	0	0	(500,000)	(513,398)	(200,000)	(1,213,398)
TRANSFERS (IN)/OUT	0	0	0	0	(288,800)	(500,000)	(500,000)	(1,288,800)
TOTAL EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$352,750	\$1,505,250	\$290,575	\$685,000	(373,800)	223,000	15,000	\$2,697,775
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$0	\$0	\$0	\$0	\$388,348	\$0	\$0	\$388,348
TOTAL BUDGETED FULL-TIME EQUIVALENTS	0	6.88	1.00	0	0	0	0	7.88

The purpose of the State Bar of Texas is to engage in those activities enumerated in section 81.012 of the State Bar Act. The expenditure of funds by the State Bar of Texas is limited as set forth in both section 81.034 of the State Bar Act and in *Keller v. State Bar of California*, 496 U.S. 1 (1990). If any member thinks that any actual or proposed expenditure is not within such purposes of, or limitations on, the State Bar, then such member may object thereto and seek a refund of a pro rata portion of his or her dues expended, plus interest, by filing an objection with the executive director. The objection must be made in writing, addressed to the executive director of the State Bar of Texas, P.O. Box 12487, Austin, TX 78711, and postmarked not later than 90 days after the conclusion of the challenged activity.

Upon receipt of a member's objection, the executive director shall promptly review such objection together with the allocation of dues monies spent on the challenged activity and, in consultation with the president, shall have the discretion to resolve the objection, including refunding a pro rata portion of the member's dues, plus interest. Refund of a pro rata share of the member's dues shall be for the convenience of the State Bar and shall not be construed as an admission that the challenged activity was or would not have been within the purposes of, or limitations on, the State Bar.

State Bar of Texas
Minimum Reserves / Commitment of Increase in Fund Balance
FY 2019-2020 Audited Financial Results

The total General Fund audited fund balance at the end of fiscal year (FY) 2019-2020 is \$20,390,298. The proposed amount to be available for Board commitments during the FY 2021-2022 budget process totals \$4,333,072. This amount is composed of 3 separate amounts:

The first amount results from the excess funds of \$3,366,405 available as a result of FY 2019-2020 financial operations.

The second proposed amount is reclassifying \$100,000 of a prior board commitment from FY 2013-2014 for the Statewide ProBono Campaign. The original commitment was for \$794,250, of which all but \$141,975 has been spent. Only \$41,975 of the commitment is currently needed for the ProBono Campaign purposes. The board will be asked to recommit the \$100,000 as an amount available for commitment during the budget process for FY 2021-2022.

The third proposed amount of \$866,667 comes from a board commitment made during the FY 2020-2021 budget process ear-marked for "Future Board Commitments". The re-classified amount will be used to fund other commitments for FY 2021-2022 as shown below.

The amount available for Board Commitment is shown below. The Board Commitments and non-spendable amounts are as follows:

Total General Fund Balance at May 31, 2020	\$20,390,298
Current Board Commitments:	
Minimum operating expenditures	(7,640,350)
Transfer from minimum reserves to purchase 1415 Lavaca	(3,500,000)
Technology Fund Transfer	(1,240,000)
Texas Opportunity and Justice Incubator Program	(489,141)
Reserve for Future Board Commitments	(866,667)
Reserve for Future Board Commitments re-classified	866,667
TATJF Student Loan Repayment Assistance Program	(515,000)
Client Security Fund Transfer	(333,333)
Sheeran Crowley Memorial Trust	(225,000)
Law Practice Resource Website	(200,000)
Presidential Initiatives	(186,776)
Statewide Pro Bono Campaign	(141,975)
Statewide Pro Bono Campaign re-classified	100,000
Rules Vote Reserve	(150,000)
Legal Reserve	(100,000)
Host Southern Conference of Bar Presidents	(75,000)
Run-off Election Reserve	(70,000)
Archives Digitization Project	(63,500)
Public Information Campaign	(20,000)
Professionalism & Ethics Initiative	(11,495)
Law Focused Education Programs	(6,179)
Non-Spendable Funds:	
Prepaid expenditures	(802,933)
Inventories	(11,572)
Fair market value adjustments of investments	(374,972)
Amount Available for Board Commitment	<u><u>\$4,333,072</u></u>

State Bar of Texas
Minimum Reserves / Commitment of Increase in Fund Balance
FY 2019-2020 Audited Financial Results (Continued)

In 2005, the State Bar of Texas Board adopted a minimum reserve policy. That policy specifies certain areas that should be considered when addressing the minimum reserve needs of the State Bar. The items to be considered are the following:

- 1) Operating Expenditures – Consider committing money for 2-4 months of budgeted expenditures.
 - The current \$11,059,004 designated for this purpose represents 3.0 months of budgeted operating expenditures based on the current FY 2020-2021 budget. On November XX, 2020, the Texas Supreme Court amended minimum reserves, at the request of the Board of Directors, to allow the State Bar to purchase 1415 Lavaca by reducing minimum reserves by (\$3,500,000). The amended level of minimum reserves for FY2020-2021 budget is \$7,640,350 or 2.1 months of operating expenditures. With the contribution of \$1,500,000 to minimum reserves for the FY2021-2022 budget, the new balance of reserves would be \$9,140,350, or approximately 2.5 months of operating expenditures.

- 2) Legal Reserves – Consider setting-aside monies to cover any contingent liabilities for legal expenditures that are known, but not yet accrued, and expected to require funding within 12-24 months of budgeting.
 - Per the State Bar Legal Counsel's recommendation, additional reserves of \$250,000 should be set aside with the designation for legal-related expenditures and held separately from the amount of minimum reserves maintained by the State Bar. This will bring the total held in reserves for legal expenditures to \$350,000. However, no known contingent liabilities are expected.

- 3) Capital Assets Replacement/Construction – Consider large capital asset replacement or construction projects planned for the next 1-3 years.
 - In FY 2004-2005, the State Bar Board developed a five year real estate strategic plan to include remodeling and redesigning the interior of the Texas Law Center which has been completed. Pursuant to Section 3.08.03 of the Board Policy Manual, a permanent building or maintenance fund has been established to maintain the Texas Law Center. According to Board policy, the General Fund shall make an annual transfer to the building fund in an amount representing 80% to 100% of the annual capital equipment straight-line depreciation of those items replaced during the remodeling of the Texas Law Center. The FY 2021-2022 General Fund budget includes a transfer of \$288,800 to the building fund which is 80% of the annual capital equipment straight-line depreciation.

- 4) New Programs - Consider committing money for new programs or research and development.
 - There are no new programs requesting in the FY2021-2022 budget.

State Bar of Texas
Minimum Reserves / Commitment of Increase in Fund Balance
FY 2019-2020 Audited Financial Results (Continued)

The President-Elect, the Audit & Finance Committee, and the Executive Director make the following recommendations to the Budget Committee for the best use of the \$4,333,702 available for Board commitment:

- Commit \$1,500,000 to replenish the level of minimum reserves from 2.1 months to 2.5 months of operating expenditures. This level of reserves is in line with auditor recommendations to have between 2 to 4 months of operating reserves available.
- Commit \$250,000 to fund a legal reserve account. This commitment will establish a reserve for possible payments to outside legal counsel for the State Bar of Texas, and will bring the total reserve to \$350,000.
- Commit \$25,000 to raise the balance maintained as a reserve for future Presidential initiatives to a level just above \$200,000. The balance in the Presidential initiatives account is not reflective of money to be spent in any given year; but is maintained to ensure that money is set aside and available for future initiatives.
- Commit \$400,000 to the Client Security Fund. This commitment will be funded at the rate of \$200,000 for each of the next two fiscal years: 2021-2022 and 2022-2023. In addition to the \$500,000 annual transfer from the General Fund described above, this commitment would make the amount available for payment of claims equal to \$700,000.
- Commit \$114,674 to fund payment of additional insurance expenses. These one-time expenses will help ensure appropriate coverage for the Bar.
- Commit \$15,000 to host the ABA Young Lawyer's Division (YLD) Summit event. The ABA YLD Mountain West Summit is a meeting held annually that involves young lawyer divisions from across the Mountain West states, including Colorado, Wyoming, Utah, New Mexico, Nevada and Arizona. Attendees of the Summit include young lawyers from not only the host state but other states involved in the Summit. TYLA is requesting \$15,000 to host the 3 day event that involves networking amongst young lawyers and young lawyer affiliates, two days of CLE, a service project, and the sharing of projects and ideas amongst local affiliates. The Summit provides an opportunity for TYLA to showcase its award-winning projects to young lawyers from other states. TYLA would like to take this opportunity to host the Summit to highlight the great work of TYLA, Texas young lawyers, Texas bar leaders, and members of the judiciary.
- Commit \$515,000 to the Texas Access to Justice Foundation – Student Loan Repayment Assistance Program. TAJF administers the program with funding from the State Bar of Texas, the TAJF and individual donors. The SLRAP was created in 2003 to encourage and enable recent law school graduates to work for Texas legal aid organizations and to assist legal aid programs in retaining experienced lawyers. Attorneys are eligible for the SLRAP if they work full-time for any Texas legal aid program that currently receives a grant from the Texas Access to Justice Foundation and have been licensed to practice law fewer than 10 years. The commitment at this level is possible from a recommitment of the Statewide ProBono Campaign discussed on page 1 of this document.

State Bar of Texas
Minimum Reserves / Commitment of Increase in Fund Balance
FY 2019-2020 Audited Financial Results (Continued)

- Commit \$513,398 to the State Bar's Technology Fund: This commitment will fund, in part, the procurement of a new Chief Disciplinary Counsel (CDC) case management software. The current Justware case management software used by the CDC for the past 8 years is being unexpectedly sunset by the vendor JournalTech. The Information Technology team is working with the CDC department to do a full evaluation of JournalTech's new software as well as other competitors to ensure we find the best and most cost effective system on the market. This software currently supports all of the CDC functions and is vital to its operations. The current system also supports all of the Unauthorized Practice of Law Committee case load and data exchanges between CDC and BODA.

- Commit \$500,000 for Operations of Lavaca Building: This commitment is being requested to maintain a two-year reserve account for operating expenses associated with the purchase of the Lavaca building. Anticipated expenses include utilities, security, maintenance, and other operating expenses.

- Commit \$500,000 for Renovation/Repair of Lavaca Building: The exact amount needed for necessary renovations and/or repairs for the Lavaca Building are as yet undetermined. However, this reserve will provide funds to cover these expenses as they become necessary. Any funds not needed for these purposes, may be recommitted by the Board at a later time for other purposes.