

STATE BAR *of* TEXAS

2020-2021 PROPOSED COMBINED BUDGET

The State Bar proposed budgets for the 2020-2021 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 7, 2020, in Room 101 at the Texas Law Center, 1414 Colorado, Austin, TX 78701. 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	\$21,348,853	\$0	\$0	\$21,348,853
FEES	17,867,561	55,000	2,035,450	19,958,011
ADVERTISING	801,000	0	0	801,000
SALES	1,023,295	2,475,237	26,300	3,524,832
INVESTMENTS	400,000	9,000	140,500	549,500
GRANTS	0	0	341,000	341,000
CONTRIBUTIONS	740,066	0	360,000	1,100,066
ADMINISTRATIVE FEES	648,800	0	0	648,800
RENT	172,673	0	0	172,673
OTHER REVENUE	1,389,304	1,329,922	15,000	2,734,226
TOTAL REVENUES	\$44,391,552	\$3,869,159	\$2,918,250	\$51,178,961
RECEIPTS FROM RESERVES	3,698,359	0	0	3,698,359
TOTAL REVENUES & RECEIPTS	\$48,089,911	\$3,869,159	\$2,918,250	\$54,877,320
EXPENDITURES				
SALARIES	\$18,371,208	\$1,293,330	\$577,069	\$20,241,607
BENEFITS	6,848,804	453,168	217,218	7,519,190
TRAVEL	2,175,291	46,950	217,150	2,439,391
MEETINGS & CONFERENCES	4,605,071	1,800	666,460	5,273,331
PROFESSIONAL SERVICES	2,936,791	212,189	294,250	3,443,230
COURT FEES	99,300	0	0	99,300
PUBLICITY/ADVERTISING	689,578	81,000	216,500	987,078
DUES/SUBSCRIPTIONS/LICENSES	715,762	119,200	32,420	867,382
EDUCATION/TRAINING	206,819	12,435	3,150	222,404
SUPPLIES/AWARDS/GIFTS/SPEC. ITEMS	588,038	30,500	120,135	738,673
RENTALS—OFFICE, EQUIPMENT, STORAGE	1,169,751	164,376	185,990	1,520,117
MAINTENANCE/REPAIR	700,774	30,600	0	731,374
UTILITIES	248,960	0	0	248,960
POSTAGE & FREIGHT	766,143	167,913	50,918	984,974
TELEPHONE	393,206	3,900	25,700	422,806
INSURANCE	464,050	6,600	0	470,650
ADMINISTRATIVE	425,791	713,487	1,211,513	2,350,791
FIXED ASSETS	42,000	12,000	1,130,000	1,184,000
PRINTING & COPYING	1,305,415	507,855	61,610	1,874,880
RESERVE FOR CONTINGENCIES	150,000	0	0	150,000
TOTAL EXPENDITURES	\$42,902,752	\$3,857,303	\$5,010,083	\$51,770,138
BOARD COMMITMENTS (IN)/OUT	3,698,359	0	(1,573,333)	2,125,026
TRANSFERS (IN)/OUT	1,488,800	0	(1,488,800)	0
TOTAL EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$48,089,911	\$3,857,303	\$1,947,950	\$53,895,164
NET REVENUES & RECEIPTS OVER EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$0	\$11,856	\$970,300	\$982,156
TOTAL BUDGETED FULL-TIME EQUIVALENTS	263.63	19.75	8.88	292.26

STATE BAR *of* TEXAS

2020-2021 PROPOSED GENERAL FUND BUDGET

REVENUES & RECEIPTS

Attorney Membership Dues	\$21,348,853
Accounting/Management Fees	658,255
Bar Journal Revenue	632,545
MCLE Fees	3,460,950
TexasBarCLE Revenue	14,251,844
Website Revenue	445,000
CDC Disciplinary Fees	564,853
Advertising Review Fees	368,000
Member Benefit Fees	911,308
Other Revenue	1,749,944
TOTAL REVENUES	\$44,391,552
Receipts from Reserves	3,698,359
TOTAL REVENUES & RECEIPTS	\$48,089,911

EXPENDITURES, BOARD COMMITMENTS & TRANSFERS

EXECUTIVE DIVISION	BUDGET	FTEs
Executive	\$684,300	2.88
Associate Executive Director/Legal Counsel	700,889	3
Deputy Executive Director	236,649	1
Deputy Executive Director/External Affairs	265,280	1
Officers & Directors	970,817	-
Human Resources	308,161	2
Training/Tuition	71,133	-
MEMBER & PUBLIC SERVICES DIVISION		
Center for Legal History	\$160,623	2
Law-Related Education	523,895	3
Government Relations	311,496	2
Texas Young Lawyers Association	1,022,902	3
LeadershipSBOT	98,672	-
Sections	343,782	4
Local Bars	459,225	4
Special Events	73,604	-
Law Student Division	20,266	-
Volunteer Committees	317,812	1
LEGAL & ATTORNEY SERVICES DIVISION		
Legal & Attorney Services	\$237,184	1
Texas Lawyers' Assistance Program	496,731	5
Legal Access Division	1,539,040	7.5
ACCESS TO JUSTICE COMMISSION	\$752,981	3
LAW PRACTICE MANAGEMENT DIVISION	\$182,184	1
PROFESSIONAL DEVELOPMENT DIVISION		
TexasBarCLE	\$10,101,604	39
Minority Affairs	523,115	3

EXPENDITURES, BOARD COMMITMENTS & TRANSFERS CONTINUED

ATTORNEY COMPLIANCE DIVISION	BUDGET	FTEs
Attorney Compliance	\$190,181	1
Advertising Review	151,275	2
Client Attorney Assistance Program	545,713	8
Lawyer Referral	376,086	4
MCLE	628,338	7
OPERATIONS/SECURITY DIVISION		
Purchasing & Facilities	\$1,294,796	5.75
Customer Service	404,132	3
RESEARCH & ANALYSIS	\$239,952	1
MEMBER BENEFITS	\$172,585	1
FINANCE DIVISION		
Accounting	\$1,049,448	12
Membership	612,834	7
Other Administrative	2,042,188	-
IT DEPARTMENT		
Information Technology	\$1,252,657	8
COMMUNICATIONS DIVISION		
Communications	\$265,364	2
Bar Journal	1,298,114	4.5
Printing & Graphics	346,721	4.5
Public Information	171,568	1.5
Website	421,753	2
PUBLIC PROTECTION DIVISION		
Chief Disciplinary Counsel	\$10,085,552	96
Statewide Committees	230,800	-
Ombudsman	87,932	1
Board of Disciplinary Appeals	632,418	3
BOARD COMMITMENTS	\$3,698,359	1
TRANSFERS TO SPECIAL REVENUE & CAPITAL PROJECTS FUNDS		
Texas Law Center Fund	\$288,800	
Technology Fund	500,000	
Client Security Fund	700,000	
TOTAL EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$48,089,911	
TOTAL REVENUES & RECEIPTS OVER EXPENDITURES BOARD COMMITMENTS & TRANSFERS	\$0	
TOTAL BUDGETED GENERAL FUND FTEs		263.63

(FTE—Full-Time Equivalent)

STATE BAR of TEXAS

2020-2021 PROPOSED BUDGETS FOR SPECIAL REVENUE & CAPITAL PROJECTS FUNDS

	LAW FOCUSED GRANTS	TEXAS BOARD OF LEGAL SPECIALIZATION	TEXAS BAR COLLEGE	CONVENTION FUND	TEXAS LAW CENTER	TECHNOLOGY FUND	CLIENT SECURITY FUND	TOTAL
REVENUES								
FEES	\$0	\$1,470,250	\$265,200	\$300,000	\$0	\$0	\$0	\$2,035,450
SALES	0	0	1,300	25,000	0	0	0	26,300
INVESTMENTS	0	35,000	1,000	0	64,500	0	40,000	140,500
GRANTS	341,000	0	0	0	0	0	0	341,000
CONTRIBUTIONS	0	0	0	360,000	0	0	0	360,000
RESTITUTION	0	0	0	0	0	0	15,000	15,000
TOTAL REVENUES	\$341,000	\$1,505,250	\$267,500	\$685,000	\$64,500	\$0	\$55,000	\$2,918,250
RECEIPTS FROM RESERVES	0	0	0	0	0	0	0	0
TOTAL REVENUES & RECEIPTS	\$341,000	\$1,505,250	\$267,500	\$685,000	\$64,500	0	\$55,000	\$2,918,250
EXPENDITURES								
SALARIES	\$0	\$505,134	\$71,935	\$0	\$0	\$0	\$0	\$577,069
BENEFITS	0	190,293	26,925	0	0	0	0	217,218
TRAVEL	111,850	55,000	40,000	10,300	0	0	0	217,150
MEETINGS & CONFERENCES	32,100	75,000	14,000	545,360	0	0	0	666,460
PROFESSIONAL SERVICES	103,250	165,000	17,000	9,000	0	0	0	294,250
PUBLICITY/ADVERTISING	0	175,000	5,000	36,500	0	0	0	216,500
DUES/SUBSCRIPTIONS/LICENSES	0	30,000	2,000	420	0	0	0	32,420
EDUCATION/TRAINING	0	1,650	1,500	0	0	0	0	3,150
SUPPLIES/AWARDS/GIFTS/SPEC. ITEMS	71,135	12,000	20,000	17,000	0	0	0	120,135
RENTALS—OFFICE, EQUIPMENT, STORAGE	4,240	170,000	9,000	2,750	0	0	0	185,990
POSTAGE & FREIGHT	6,225	7,833	13,860	23,000	0	0	0	50,918
TELEPHONE	0	25,000	700	0	0	0	0	25,700
ADMINISTRATIVE	6,600	76,600	31,580	8,400	0	0	1,088,333	1,211,513
FIXED ASSETS	0	7,000	0	0	0	1,123,000	0	1,130,000
PRINTING & COPYING	5,600	9,740	14,000	32,270	0	0	0	61,610
TOTAL EXPENDITURES	\$341,000	\$1,505,250	\$267,500	\$685,000	\$0	\$1,123,000	\$1,088,333	\$5,010,083
BOARD COMMITMENTS - TRANSFERS IN	0	0	0	0	0	(1,240,000)	(333,333)	(1,573,333)
TRANSFERS (IN)/OUT	0	0	0	0	(288,800)	(500,000)	(700,000)	(1,488,800)
TOTAL EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$341,000	\$1,505,250	\$267,500	\$685,000	(288,800)	(617,000)	55,000	\$1,947,950
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES, BOARD COMMITMENTS & TRANSFERS	\$0	\$0	\$0	\$0	\$353,300	\$617,000	\$0	\$970,300
FULL-TIME EQUIVALENTS	0	7.88	1.00	0	0	0	0	8.88

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 2018-2019 Audited Financial Results

The total General Fund audited fund balance at the end of fiscal year 2018-2019 is \$17,749,877.

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

Total General Fund Balance at May 31, 2019	\$17,749,877
Current Board Commitments:	
Minimum operating expenditures	(11,059,004)
Texas Opportunity and Justice Incubator Program	(571,088)
Legal Access Division Programs	(44,251)
-Westlaw Legal Research	
-Malpractice Insurance	
-Language Line	
TATJF Student Loan Repayment Assistance Program	(515,000)
Presidential initiatives	(126,641)
Run-off Election Reserve	(70,000)
Statewide Pro Bono Campaign	(148,161)
Referendum Reserve	(100,000)
Archives Digitization Project	(75,500)
Professionalism & ethics initiative	(11,943)
Law Focused Education Programs	(79,500)
Technology Fund Transfer	(150,000)
Law Center Renovations	(100,000)
Non-Spendable Funds:	
Prepaid expenditures	(847,384)
Inventories	(12,070)
Fair market value adjustments of investments	(59,630)
Amount Available for Board Commitment	<u>\$3,779,705</u>

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 2019-2020 budget. An increase of \$81,346 will maintain the level of 3.0 months and result in a minimum reserve amount of \$11,140,350.

- 2) Litigation Expenditures – Consider setting-aside monies to cover any contingent liabilities for litigation expenditures that are known, but not yet accrued, and expected to require funding within 12-24 months of budgeting.

State Bar of Texas
Minimum Reserves / Commitment of Increase in Fund Balance
FY 2018-2019 Audited Financial Results (Continued)

- Per the State Bar Legal Counsel's recommendation, additional reserves of \$100,000 should be set aside with the designation for litigation expenditures and held separately from the amount of minimum reserves maintained by the State Bar.
- 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 (see Attachment A), 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 (see Attachment B) during the remodeling of the Texas Law Center. The FY 2020-2021 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.
- The amounts necessary to fund the new programs for the FY 2020-2021 budget year are either funded in the operating budget or will be the subject of a request for funding based on a Board Commitment. Therefore, no additional budget funds are necessary to be set aside in the minimum reserves.

The Executive Director makes the following recommendations to the Budget Committee for the best use of the \$3,779,705 available for Board commitment:

- Commit \$81,346 to maintain the level of minimum reserves 3.0 months. The goal to reach a minimum reserve amount of 3 months of budgeted expenditures and operating transfers was met during the FY 2019-2020 budget. This level of reserves is in line with auditor recommendations to have between 2 to 4 months of operating reserves available.
- Commit \$73,359 to raise the balance maintained as a reserve for future Presidential initiatives to \$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 \$1,200,000 consisting of \$333,333 in additional funding to the Client Security Fund and commit \$866,667 to a reserve for future board commitments. Discussion is ongoing concerning administering future payouts from the Client Security Fund. The \$866,667 commitment will be held in contingency, pending future decisions by the Board of Directors. If approved by the Board, the amount committed for the Client Security Fund for fiscal year 20-21 will be \$333,333, which, in addition to the \$700,000 annual transfer from the General Fund, would make the amount available for payment of claims during FY20-21 equal to \$1,033,333.
- Commit \$100,000 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.

State Bar of Texas
Minimum Reserves / Commitment of Increase in Fund Balance
FY 2018-2019 Audited Financial Results (Continued)

- Commit \$225,000 to the Sheeran Crowley Memorial Trust. The Patrick D. Sheeran & Michael J. Crowley Memorial Trust provides financial help to Texas attorneys, judges, and law students who need treatment for substance use, depression, and other mental health issues. These attorneys often find themselves without health insurance and without the means to pay for services. Created in 1995, the trust is administered by volunteer trustees who are members of Texas Lawyers Concerned for Lawyers, an organization that works closely with the Texas Lawyers' Assistance Program of the State Bar of Texas. Applicants must be receiving services from TLAP and demonstrate financial need. Once the trustees approve an individual's application for assistance, a grant is made payable directly to the treatment provider. All applicants are asked to make a moral commitment to repay the grant.
- Commit \$75,000 of contingency fund for hosting the Southern Conference of Bar Presidents in October 2020. The State Bar's responsibility for hosting this Bar President educational event reoccurs every 15 years. The host state is responsible for paying deposits, down-payments, etc. prior to attendees paying registration fees that will ultimately cover a majority of the cost.
- Commit \$50,000 to increase reserves maintained for future membership rules votes. The current reserve for referendum totals \$100,000. This board commitment would bring the reserve to a total amount of \$150,000 to cover the travel and meeting costs associated with the upcoming membership rules votes.
- Commit \$20,000 for a Public Information campaign. The Public Information Department is requesting a board commitment of \$20,000 to fund a comprehensive educational marketing campaign to be titled "SBOT4ME". The campaign will be designed to inspire pride in State Bar members for the legal profession and the overall agency while informing the public of the many ways the State Bar serves the state of Texas. The main deliverable will be a video campaign that could be turned into print ads and graphics usable across a variety of social and traditional mediums.
- Commit \$200,000 to fund the Law Practice Resource Management and Texas Bar Books website project. The goal of the new Law Practice Resources website ("Practice.com") is to provide valuable Law Practice Management resources information to Texas attorneys as a benefit of their State Bar membership, to convert book and subscriptions sales for TexasBarBooks, and convert visitors to account-holding customers. Access to the free Law Practice Management resources will be marketed as a benefit and will provide Texas lawyers with useful technical and practice knowledge for starting, growing, maintaining, and closing a practice. Currently, many LPR resources exist on different websites, making information harder to find and the e-commerce experience more difficult to understand and trust. The new website will bring the information and resources under a common, cohesive user experience. Improved website tools and communications will allow TexasBarBooks to improve sales conversions, payment collections, and subscription retention. In addition to the request for a \$200,000 board commitment for this project, the TexasBarBooks Department will also contribute \$100,000.
- Commit \$515,000 to the Texas Access to Justice Foundation – Student Loan Repayment Assistance Program (SLRAP). Attorneys are eligible for the SLRAP if they work full-time for any Texas legal aid program that is: a) a recipient of Texas Access to Justice Foundation funds, b) a recipient of Legal Services Corporation funds, or c) a Texas non-profit that provides civil legal services - if at least 50% of the services provided are free to Texans whose income

State Bar of Texas
Minimum Reserves / Commitment of Increase in Fund Balance
FY 2018-2019 Audited Financial Results (Continued)

is 200% of federal poverty guidelines or less. For the 2019-2020 Texas Student Loan Repayment Assistance Program (SLRAP) year, 211 legal aid lawyers were awarded some level of assistance. All qualifying applicants receive payments ranging from \$37 per month up to the maximum monthly loan amount of \$400.

- Commit \$1,240,000 to the State Bar's Technology Fund: This commitment will fund, in part, the purchase and maintenance of the State Bar's technological hardware and software including computers, printers, software and software maintenance/upgrades. In addition, it will fund the following special capital projects:

(1) Texas Law Center Audio/Visual (estimated \$200,000)

This project is intended to upgrade the historic Stewart Morris Board Room and Room 101 to support high definition video, update existing Audio/Visual control systems, update room audio and install video conferencing. In addition, Room 101 will be fitted with new confidence monitors for speakers.

(2) Client Attorney Assistance Program – Case Management System (estimated \$50,000)

This project is to replace the Client Attorney Assistance Program's 15+ year old case management system. This system is used to assist clients and attorneys in resolving client/attorney issues. This project will replace the legacy system with modern technology to streamline business processes, improve staff efficiency and improve reporting. This is the next scheduled project on the 5 year technology plan.

(3) Texasbar.com Website Redesign (estimated \$150,000)

This project is to refresh and enhance the existing State Bar of Texas website, texasbar.com. Every 5 years there is a review the existing site to determine what enhancements are needed to improve service and message delivery to the public and members. This includes a refresh of the site's graphics and layout to stay relevant with current design trends.