

COMMITTEE OF BAR EXAMINERS CLOSED SESSION AGENDA ITEM

AGENDA ITEM: January 2016 – O-303
DATE: January 25, 2016
TO: Subcommittee on Operations and Management
FROM: Gayle Murphy, Senior Director, Admissions
SUBJECT: 2016 Office of Admissions Budget

BACKGROUND

During its January 2016 meeting, the Board of Trustees (Board) will be reviewing the State Bar of California's proposed 2016 budget, which includes the budget for the Admissions Fund.

Here follows the most up-to-date numbers available (they may change as the State Bar's Finance department finalizes such things as salaries, indirect costs, etc.) with regard to the fiscal status of the Admissions Fund for the past two years and the proposed 2016 budgeted amounts:

Actual 2014 Revenue:	\$19,509,824	Actual Expense:	\$20,667,679
Projected 2015 Revenue:	\$20,230,289	Projected Expense:	\$19,964,273
Budgeted 2016 Revenue:	\$21,160,587	Budgeted Expense:	\$21,652,075

DISCUSSION

The budget for 2016 was compiled using the adjustments in Admissions Fees that went into effect January 1, 2016, which was pursuant to an action taken by the Board in 2014, and, more-or-less, using the same numbers of applicants experienced in 2015. While it is understood that the number of applicants taking the examinations administered by the State Bar of California's Office of Admissions on behalf of the Committee of Bar Examiners (Committee) should be going down based on lower enrollments in some schools, which one might presume would result in fewer applicants taking examinations, due to several factors we expect the costs to remain at a similar level in 2016 as compared to 2015. These factors include: 1) the lower passing rates result in more applicants taking the examination than anticipated, 2) there is always an unknown factor of how many applicants from out-of-state and foreign applicants will be taking the examination, and 3) the cost of providing testing accommodations to applicants with disabilities continues to grow.

As you can see, the budgeted expense for 2016 is somewhat larger than the budgeted revenue. There are sufficient funds in the Admissions Fund's carry forward balance, however, to cover the difference. Finance has not yet provided the actual amount of the carry forward balance as the books have not yet been closed for 2015, but it is my understanding that it will be in the \$3,000,000+ range. The expenses in 2015 were quite a bit less than budgeted due to many factors, including the vacancies in two Executive Staff positions because of retirements in July and other staff vacancies, which affects salaries, benefits, health care costs, etc., lower indirect costs than budgeted, and some budgeted projects, such as vetting new multiple-choice questions with subject matter experts, were not initiated.

Costs that have been specifically reduced in the 2016 budget as compared to 2015 projected expenses include staff travel and catering, which in accordance with the Chief Operating Officer's direction have been reduced by approximately 15% across the board. This does not impact the travel costs related to staff participation in administering examinations. Other line item expenses may have been adjusted based on 2015 actuals.

As indicated above, the Board will be considering the proposed 2016 State Bar budget during its meeting on February 1, 2016. If additional information regarding the budget becomes available in connection with the Board's meeting, it will be shared with the Committee during its meeting on January 29 and 30, 2016. The Board will also be considering what an appropriate reserve should be for the budgets it manages; according to its February meeting agenda, there will be a recommendation to establish a two-month reserve policy. Using the 2016 budgeted expenses as a guide, that would be approximately \$3,500,000 for the Admissions Fund.

For future budget planning, it would be helpful to have a more detailed report on law school enrollments to determine how and when such might, or might not, affect budget planning by the Committee. Staff will undertake such a study and report back to the Committee at a future meeting.

RECOMMENDATION

It is recommended that the proposed budget for 2016 be received and filed and that staff be directed to prepare a detailed report on the reported decreased enrollments in law schools to determine what, if any, the results will impact future budget planning for the Admissions Fund.

PROPOSED MOTION

Should the Subcommittee agree with this recommendation, the following motion is suggested:

Move that the proposed 2016 budget for the Admissions Fund be received and filed and that staff be directed to prepare a detailed report on the reported decreased enrollments in law schools to determine what, if any, those decreases may impact future budget planning for the Admissions Fund.