**California Lawyers Association**

**2020 Budget Policy**

***April 23, 2019***

This document is intended to express governing budget principles for the California Lawyers Association (CLA) for 2020 and beyond, as appropriate, or as amended by the CLA Board of Representatives (Board). It is anticipated that this policy may be revised as CLA explores the best membership structure to attract and retain CLA members.

The Board understands the need to adequately fund the CLA, including the Sections, which includes the priorities, goals, and initiatives the Board has adopted, as well as new initiatives and programs. The Board also understands the need to identify and develop sources of revenue for the CLA other than membership dues.

**Recitals and Aspirations**

1. A STRONG AND INDEPENDENT CLA: CLA is a proud independent 501(c)(6) membership-based Bar Association. The CLA mission statement embodies the core principles of the organization and is embraced by the organization and the Board: “Promoting excellence, diversity and inclusion in the legal profession, and fairness in the administration of justice and the rule of law.” CLA is desirous of continuing to grow and expand and be recognized as the preeminent Bar Association for all California attorneys.
2. CLA SECTIONS: The 16 Sections of the CLA have a rich history, sophisticated programming and conferences, top-notch publications, and robust membership rosters that they bring to CLA. They serve as the strong and indispensable base of the organization.  As CLA continues to grow, it will continue to explore cross-collaboration between Sections, the intersection between California Young Lawyers Association (CYLA) and the Sections, new programs and committees within the organization, possible new Sections, and other offerings that will attract and retain members. CLA remains committed to the core philosophy that its Sections must determine their own activities, agendas, strategies, and programming, for the benefit of the CLA members who choose to participate in the Section.
3. CLA MEMBERSHIP STRUCTURE: CLA primarily derives its dues from the State Bar of California’s fee statement. CLA is engaged in active efforts to market itself and attract members outside of the fee statement, which the Board believes to be in the best interest of the organization. Beginning in 2019, CLA will embark on a considered process to study existing organizational structures throughout the US, including structures where one joins the organization and pays an additional amount for membership in a Section (which is a traditional structure utilized by Bar Associations across the country). It is anticipated that the Board ultimately will vote on the membership structure that best attracts and retains members and serves the mission of the CLA.  A revised membership and dues structure will require revisiting financial and budgeting processes and principles.

**Budgeting Principles**

1. Annual budgeting for CLA, including its Sections, shall reflect the values of transparency, accountability, and sound financial principles and management. The reporting model will be consistent with Generally Accepted Accounting Principles (GAAP), and Financial Accounting Standards Board (FASB) provisions. Subject to oversight and control by the Board, Section budgets shall be developed by Section Chairs, Treasurers, and Coordinators with organizational support and assistance available from the Budget and Finance (B&F) Committee. CLA and its Sections are expected to operate within budgets, subject to the other principles and procedures set forth in this policy.
2. In developing their budgets, CLA and the Sections must take into consideration the statutory mandate to provide no-cost and low-cost MCLE. Every year, CLA and the Sections shall provide reports on all no-cost and low-cost MCLE activities, in anticipation of the organization conducting the MCLE audit required by the MOU with the State Bar and in anticipation of reporting to the Supreme Court and Legislature, as requested.
3. Annual budget requests from the CLA, including its Section, shall be submitted to the CLA Budget & Finance Committee and should include sufficient information to determine what each project and each expenditure is expected to accomplish or support, and the costs associated with each project. To accommodate spending flexibility, each Section may add additional projects throughout the year as they arise, provided the Section has sufficient revenues or reserves to support the additional project(s), up to an aggregate of $25,000 or 5% of the Section’s approved budget, whichever amount is lower, without further approval of the Board. If a request requires Board approval, the Section may make such request of the Board pursuant to the procedures contained in the CLA bylaws.
4. The proposed budget of CLA will include a breakdown of organization-wide and cross-Section programs and activities, with CLA-wide working groups and task forces, Civic Education, participation in the Lawyers Assistance Program, and organization-wide events as a few examples. CLA is committed to providing sufficient detail to enable the reader of the financial reports to obtain a clear understanding of the activities of the organization and Sections.
5. The Board supports the development of the CYLA through the organizational budget and Section activities. The functions and activities of the CYLA were transferred to CLA by legislative mandate. CYLA members are the future members and leaders of CLA.
6. All budget requests for 2020 will be submitted to the Budget & Finance Committee by June 1, 2019, which will be combined and reviewed by the Budget & Finance Committee, Treasurer, and CFO and thereafter provided to the Board in the form of the proposed master budget by August 1, 2019. This is designed to allow the Board sufficient time to meaningfully review the budget, to ask questions, request additional information, or suggest revisions. The Board is anticipated to vote on the budget on or about October 10, 2019, at the regularly scheduled Board meeting.
7. Consistent with the values of transparency and accountability, CLA shall separately budget and report activities in each of the following categories in reasonably sufficient detail, including full or partial labor costs, to discern estimated (in the case of budgets) and actual (in the case of reports) costs for each such function.  For 2020, these categories shall include:
8. Board-approved initiatives (Civic Education, Access to Justice, and Diversity);
9. Marketing and Communications (including website design and maintenance) for Specific Sections (including to publicize events sponsored by one (or two or three) Sections, membership campaigns directed primarily to increasing or maintaining membership in a particular Section, maintenance of the pages of CLA's website devoted to each Section, and e-mail and other electronic communications directed towards members or leadership of a particular Section);
10. CLA-Wide Marketing and Communications (all marketing and communication not included in Category B);
11. External Relations (e.g., with the State Bar, other bar associations, the California Judge's Association, and with the Chief Justice);
12. Governance (e.g., Board expenses, Board Committee expenses, Presidential Committee expenses, CLA Leadership Retreat, and a portion of the salaries of the Executive Director, Associate Executive Director and Director of Strategic Partnerships, and Initiatives (currently Ona Dosunmu, Tricia Horan, and Ellen Miller);
13. Advocacy and Government Relations Initiated by Specific Sections (related to legislation supported or opposed by individual Sections or amicus briefs offered by Individual Sections);
14. CLA-Wide Advocacy and Government Relations (e.g., lobbying against tax on legal services, lobbying regarding the portion of the State Bar fee bill pertaining to CLA, lobbying regarding proposed State Bar fee increases, and amicus briefs initiated by CLA as a whole, rather than by one (or two or three) Sections;
15. Operations (including Section Coordinators and their Administrative Assistants and most of the Associate Executive Director’s compensation);
16. General and Administrative (e.g., our Human Resources Director, accounting and rent, except that a small portion of the rent will be allocated to Categories 1 and 4);
17. Lawyers Assistance Program (if we get State Bar funding and engage in this activity);
18. Annual Meeting; and
19. Solo and Small Firm Summit.

These categories will likely evolve and change as the organization continues to develop. The plan does not contemplate individual Sections opting out of having membership dues used to pay for organization-wide functions.

For CLA employees who perform work relating to more than one category, their labor costs shall be divided between categories based on good faith estimates, and the keeping of time records is not necessary.

The reporting model shall include a comparison of budgeted amounts vs. actual amounts, to allow the Board to track adherence to the budget.

Each Section’s revenues, expenses, and reserves shall be clearly identified in CLA’s budgets and financial reporting. The total of all Sections' revenues, expenses, and reserves shall also be clearly identified in CLA’s budgets and financial reporting.

1. Actual or anticipated budget variances to the approved Budget at both the organization-wide level and the Section level shall be presented to the Board with attendant information to allow the Board to understand the reason for such variances. Material budget variances are subject to Board approval, consistent with a Board-approved budget variance policy.
2. Changes to the CLA membership and dues structure, including whether Sections may set non-uniform dues, will be determined and approved by the Board.
3. CLA will develop a reporting model that presents organization-wide revenue categories and expense categories, including functions, programs, and projects. The reporting model shall include a comparison of budgeted amounts vs. actual amounts, to allow the Board to track adherence to the budget. Additionally, each Section’s revenues, expenses, and reserves shall be clearly identified on CLA’s financial reporting.
4. Utilizing the membership data from the preceding calendar year and draft budgets for the budget year in question (initially 2020), CLA will provide each Section with membership-based dues revenue equal to a percentage of that Section’s membership dues (“Revenue Distribution”). The percentage shall be set by the Board of Representatives based on the recommendations made by the Budget & Finance Committee, in conjunction with the Executive Director and CFO. This percentage shall be set at the same time as CLA’s 2020 budget is discussed and approved, subject to change by the Board as additional financial information is reported during the budget year. In years after 2020, this percentage may fluctuate, as determined by the Board.
5. In the event that a Section’s revenues (including the Section’s share of membership-based dues revenues, aka “Revenue Distribution”) exceed the Section’s expenses, the difference shall remain booked to the Section on the organization-wide financial statements, with the unspent funds carrying over to the Section reserve, subject to the reserve policy discussed below. In the event that a Section’s expenses exceed the Section’s revenues (including the Section’s share of membership-based dues revenues), the amount of the overage shall be deducted from the Section reserve. In other words, any net revenue remaining at the end of the fiscal year may be transferred to Section reserves, and any negative net revenue may be transferred from such reserves.

**Items for Future Consideration**:

One or more people or groups within the Budget Working group have asked that these items be discussed in the future, as further data becomes available:

1. Development of the CLA and Section Reserve Policy: The Executive Director, CFO, and Budget & Finance Committee shall endeavor to devise an updated Reserve Policy for Board consideration and approval addressing the prudent level and spending of reserves. The Board agrees that a carefully considered Reserve Policy is critical in order to fulfill the obligations to the CLA members. As part of this process, it shall be considered whether, and to what extent, Section reserves may be transferred to the organization-wide reserve. This decision will be made once additional information has been obtained, including but not limited to, the closing of the 2018 financial books, the 2019 audit to be completed in the Spring of 2020, additional revenue and expenditure data, and changes to the CLA membership structure.
2. Membership dues: As part of the process to study and revise the CLA and Section membership structure, consider whether Sections shall set their own dues amounts or whether Section dues shall all be a uniform amount that the Board establishes. The process to study and revise the CLA membership structure is expected to be complete around the same time as the consideration of the 2021 budget, and this issue shall be considered by the Board at that time.
3. Whether a 60% vote of the Board shall be needed to decrease the percentage of membership dues allocated to the Sections.
4. Whether a 60% vote of the Board shall be required before any money is transferred from Section reserves, except for any transfer made pursuant to Paragraph 12.

**Conclusion:**

CLA is proud of what it has accomplished and what it will accomplish. The Board recognizes that, by working together, the potential of the organization is unlimited. CLA remains deeply committed to its mission, the advancement of the Sections, and the development of the organization for its members, their clients, and the practice of law.