

# Executive Director's Message

by Karen A. Gould



## The VSB's Cost-Cutting Initiatives

AS THE ECONOMY WORSENS, I am grateful that the Virginia State Bar (VSB) started examining how it could save money and cut costs with the advent of 2008. In the fiscal 2008-09 budget approved by the VSB Council and the Supreme Court of Virginia before cuts were made, the reserve was projected at \$520,187, or 4.2 percent of the bar's operating expenses, by July 2010, with \$1,075,000 drawn from the reserve in FY2009-10 to help pay bar expenses. Obviously, the 2010-11 fiscal year would have resulted in serious cuts in operating expenses — even before the economic downturn — unless action was taken.

When I see how layoffs, devaluation of investments, and a stagnant market are affecting lawyers, I am doubly grateful that we can forestall a dues increase at this time and still provide the services necessary for self-regulation.

The VSB staff has worked hard on the cost-cutting initiative. Our agency's financial situation has been improved in part by the mandatory elimination of raises for our employees this year and next — unfortunately at the expense of our hard-working staff, who are foregoing even a cost-of-living adjustment.

The following is a list of the measures we have instituted:

### **FY2008-09**

Elimination of raises for FY2008-09.

Freezing of hiring for new positions and hiring to replace people only when those positions are deemed essential to bar operations.

Use of the State Mail System for all mail, which eliminates the need for a full-time person in the VSB mail room and saves on postage and the cost of leasing a postage machine.

Elimination of one assistant ethics counsel position, replaced with an administrative assistant position.

Curtailing staff and officer travel.

Redirecting disciplinary opinions, rule proposals, rule changes, and other bar regulatory business to the *Virginia Lawyer Register's* Web edition at VSB.org, and mailing out a print summary and index to the material on the Web.

Replacement of roller-ball pens with less expensive ballpoints.

Elimination of bond letterhead.

Elimination of sodas, flavored teas, and hot chocolate.

### **FY2009-10, in Addition to the Previous Items**

Elimination of raises for FY2009-10.

Elimination of one VSB Executive Committee meeting.

Elimination of the leased offices in Alexandria.

Consolidation of support for the Northern Virginia office in the Richmond office, resulting in the elimination of one paralegal position.

Limiting distribution of the print publication of the *Professional Guidelines* to the volunteers and any members who request a hard copy. The *Professional Guidelines* will be posted on VSB.org in easily accessed html-formatted text. In this format, we will be able to update the guidelines on an ongoing basis so members always have immediate access to the current rules.

### **Uncontrollable Costs**

While the majority of costs required for regulation of the legal profession are constant and predictable, an important expense over which we have little control is receiverships. The receivership budget of \$200,000 for FY2007-08 was exceeded by \$313,475 because of the *Conrad* case, for a total expenditure on receiverships of \$513,475. Receivers are appointed by the circuit court judges pursuant to Virginia Code §§ 54.1-3900.01 or 54.1-3936. The statutes require that the receivers be reimbursed "reasonable fees, costs and expenses," and the statutes do not provide for limiting receivers' fees to a certain amount or percentage. The statutes require the Virginia State Bar to pay these fees, costs, and expenses, if it has funds available.

The 2008-09 budget for receivership expenses has been increased to \$300,000. As of December 31, 2008, \$231,448 has been paid in receivership expenses. Additional bills are awaiting payment, and more are expected. It would appear that the receivership budget will be exceeded this fiscal year.

Receiverships are but one small element of the bar's expenses related to its responsibility to protect the public,

and, because of these responsibilities, the bar's expenses fluctuate somewhat.

The bar's expenses also increase every year as a result of fixed costs: rent, salary increases (usually), and benefits are examples. Despite what many perceive as a large number of new admittees every year, dues revenue increases yearly by only approximately 2.6 percent.

### **The Dues Cap and the Budget**

Before we can increase dues, several hurdles must be successfully negotiated: the leadership of the VSB must decide it is time to seek a dues cap increase; the council must approve seeking such an increase; the Supreme Court must agree that we can approach the General Assembly with the request; the General Assembly would have to pass legislation that raises the statutory ceiling for bar dues; and the Supreme Court would then tell us how much to charge in dues.

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The Supreme Court has indicated that it does not see a dues cap increase in our future for the next several years, given the economic climate.

In the future, we will not be using reserve-dependent accounting to balance our budget. Instead, the Supreme Court has indicated that it prefers for the bar's revenue to approximate expenses. We will have to live within our means in the future, without subsidy from a reserve. A small reserve will be maintained as a rainy day fund to protect against unforeseen contingencies.

### **The Future**

The bar staff is starting its budget review process for FY2009-10. At this point, the only cost-cutting measures we can identify involve eliminating programs or services. We have been successful, however, in pushing off the need for a dues cap increase in the near future.

I would appreciate your comments and suggestions on this and any other topics, including what you would like me to address in this column. My email address is [gould@vsb.org](mailto:gould@vsb.org); my phone number is 804-775-0550.