

Executive Director's Message

by Karen A. Gould



It's Budget Time!

THE PROPOSED BUDGET for the Virginia State Bar (VSB) for the fiscal year 2009-10 is ready for your review and comment. The budget has been approved by the Standing Committee on Budget and Finance. It now will be scrutinized by your representatives on the Executive Committee and our supervising authority, the Supreme Court of Virginia. Finally, the budget will be presented to the VSB Council at its June meeting.

I am providing these details as part of an ongoing effort to keep the VSB's 43,239 members informed about how your bar is using your dues dollars to regulate and support the profession and to protect and serve the public.

The series began in the June/July 2008 edition of *Virginia Lawyer*, when I described bar programs and asked you for feedback on which you believe should be given priority. (http://www.vsb.org/docs/valawyer magazine/vl0708_exec-dir.pdf) In February 2009, I outlined some of the areas in which the VSB has contained expenses, to make your money go further while continuing to carry out the bar's mission. (http://www.vsb.org/docs/valawyer magazine/vl0209_ed.pdf)

I am pleased to report that the bar's cost-cutting efforts are having a positive impact. The 2009-10 budget projects a reduction of \$289,000 in expenses, compared to the current operating budget that ends on June 30, 2009. The bar will meet its budget without a dues increase. The VSB is accomplishing its mission without putting additional financial stress on Virginia lawyers during this difficult time.

As Chart A shows, the cost of operating the bar during the fiscal year ending (FYE) 2010 is estimated at

\$12,244,000. Approximately 60 percent pays for salaries, wages, and benefits — a typical ratio for a service agency. There are 90.8 budgeted positions in next year's budget, which is three fewer than this year. Employees will not receive a salary increase this year or next year, in accordance with decisions by the Governor and Chief Justice in light of the economic downturn.

The bar is reducing its office space. In September, the lease in Alexandria will not be renewed. Employees there will work from their homes. The budget item of \$447,600 for rent will cover the Richmond office and the months remaining in Alexandria.

Communication of the bar's work and information essential to ethical practice is an important part of professional regulation. The budget includes \$218,800 for publication of the *Virginia Lawyer* and *Virginia Lawyer Register*, which costs about \$157,000 annually to print five issues of each. This has been reduced by \$96,000 since 2008, due to cost-saving measures instituted in the publications department. The VSB is publishing more information than ever, but we are using the Internet, which is faster and less expensive than print. Digital documents also give each bar member the option to create a printed document.

The publications savings reflect a \$35,000 reduction in the printing of the *Professional Guidelines*. All volunteers and any member who requests one will receive a printed copy, but the book will not be sent to all members. Instead, the *Professional Guidelines* will be posted at VSB.org, where it will be updated on an ongoing basis so members always have immediate access to the current rules.

Despite reductions in printing, significant postage costs are unavoidable. Postage is projected to be \$225,725 in FYE 2010. This pays for mailing the *Virginia Lawyer* and *Virginia Lawyer Register*, at \$85,000 annually. Another \$63,000 will pay for mailing bar membership cards and notices of annual dues, delinquencies and suspensions, and mandatory continuing legal education. Mailings related to bar discipline are projected to cost \$37,000.

The budget for FY 2009-10 includes \$154,700 for the bar's computer operations. This supports the bar's software, hardware, telecommunications, and networking information technology needs. This enables us to bring you the up-to-date, quickly accessible information you have become accustomed to. IT also helps us manage our complex regulatory caseload.

An allocation of \$105,000 is budgeted for new technology projects in the coming year. This amount is contingent on review and recommendation by the Information Technology Committee. The amount includes \$75,000 for document management — an ongoing project for the bar. Web-based applications for bar members and the public are a priority, and \$30,000 is budgeted to cover potential new applications.

Travel costs for the many volunteers who serve on committees, conference boards, and the bar's governing body are a major expense and essential to a self-regulated profession in a geographically far-flung state. The budget for mileage reimbursement, meals, and hotel expenses for our volunteers is \$289,000.

The bar contributes \$100,000 annually to the Lawyers Helping

Chart A

**VIRGINIA STATE BAR PROJECTED EXPENDITURES
FISCAL YEAR 2010 BUDGET**

| | FY 2010 PROPOSED BUDGET |
|--|--|
| Salaries | \$5,647,500 |
| Benefits | 2,182,635 |
| Wages & Professional Services | 122,220 |
| Receiverships | 300,000 |
| Dues & Subscriptions | 42,835 |
| Rent: Office Space | 447,575 |
| Rent: Office Equipment | 25,620 |
| Office Supplies | 39,500 |
| Stationery & Forms | 30,150 |
| Office Furniture & Equipment | 20,000 |
| Staff Travel | 116,725 |
| Office Insurance | 10,550 |
| Repairs & Maintenance | 8,250 |
| Printing & Copying | 218,800 |
| Postage | 225,725 |
| Telephone | 107,370 |
| Advertising | 57,700 |
| Other Contractual Services | 118,400 |
| Computer | 154,700 |
| Other Technology Projects | 105,000 |
| Professionalism Course: | |
| Travel | 171,750 |
| Miscellaneous | 14,550 |
| Council, Comm., Boards: | |
| Travel | 288,650 |
| Miscellaneous | 75,430 |
| Lawyers Helping Lawyers | 100,000 |
| Attorney General Costs | 100,000 |
| A & F Transfers | 125,000 |
| Clients' Protection Fund Transfer | 718,125 |
| Online Legal Research | 100,000 |
| Special Programs and Operating Contingency | 102,500 |
| Sections | 357,172 |
| Senior Lawyers Conference | 25,000 |
| Young Lawyers Conference | 76,850 |
| Fee Disputes | 8,000 |
| TOTAL | \$12,244,282 |

Lawyers program, because LHL helps lawyers avoid disciplinary problems, and it works with the bar disciplinary system to rehabilitate lawyers who have run afoul of the ethics rules due to substance abuse and mental health problems.

Supporting members with training and research tools is a priority of the bar. The Supreme Court requires the VSB to provide an online legal research program to its members. (Rules of the Supreme Court of Virginia, Organization and Operation of the Virginia State Bar, Part Six, §IV, ¶ 21) The bar contracts with Fastcase through a competitive process to provide this service at a cost of \$100,000. At the direction of the Supreme Court, the bar also hosts the Indigent Criminal Defense Training Initiative (\$80,000) and the Solo and Small-Firm Practitioner Forum (\$15,000).

Investing in practice development and service interests of VSB members also is a focus of the bar. The specialty sections that help practitioners hone their skills in criminal law, family law, litigation, and seventeen other areas costs \$357,000, which is supported by elective dues paid in addition to the mandatory bar dues. From its mandatory dues, the bar funds conferences of Senior Lawyers, with a budget of \$25,000, and Young Lawyers, for \$96,350. These conferences provide many substantive programs and projects that are helpful to lawyers and citizens in the commonwealth and that engender goodwill toward the legal profession, and they are part of volunteer leadership development. The budget for FY 2009-10 does not contain a line item for the proposed Diversity Conference that has not yet been approved by the council and the Supreme Court of Virginia.

Perhaps the biggest unknown in the VSB budget is the cost of receiverships ordered by courts due to the death, disability, disappearance, suspension, or disbarment of an attorney. (*Code of Virginia* §§54.1-3900.01 and 54.1-3936) The proposed receivership budget for next fiscal year is \$300,000. While the

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attorney's nontrust assets can be assessed to reimburse the bar, those assets usually are insufficient. In FY 2007-08, the bar expended in excess of \$500,000 for receivers, against a budget of \$200,000. This year, the VSB had exhausted its \$300,000 receivership budget by mid-March.

Chart B describes the VSB's revenue sources, projected to total \$12,208,500 in FY 2009-10. These include:

- Bar dues charged to all active, corporate counsel, and associate lawyers licensed in Virginia. The projection for bar dues for FY 2009-10 is \$8,683,500. This anticipates a 2 percent increase over the FY 2008-09 revenue, which is consistent with our experience in past years. The dues come from approximately 28,200 active and corporate counsel members, 11,500 associate members and 400 corporate counsel registrants who are on the bar's membership rolls. Mandatory dues are the VSB's largest source of revenue.
- Mandatory Continuing Legal Education fees, projected at \$780,000 in FY 2009-10. MCLE sponsors pay \$280,000 of this amount. The remainder is from fees generated by late filing, noncompliance, and reinstatement charges to attorneys who do not fulfill their MCLE obligation in a timely manner. This is the second-largest source of VSB revenue.
- Unpaid past dues and penalties, projected at about \$480,000. This includes late fees paid by active members who do not pay the annual dues or Clients' Protection Fund assessment on time or do not complete the professional responsibility questionnaire by the deadline.
- The Harry L. Carrico Professionalism Course fee charged to all newly licensed lawyers in Virginia, who are required to take the course within one year of being admitted to the bar. Approximately 1,450 new lawyers

attend annually. The registration fee is \$150 per attorney and the course generates \$218,500 annually. Pursuant to the rules of the Virginia Supreme Court, this fee covers the cost of administering the course.

- The Clients' Protection Fund (CPF) assessment, \$25 per active attorney in addition to the annual dues. This generates just over \$700,000 in revenue for the fund, which makes monetary awards to persons who have suffered financial losses because of dishonest conduct by Virginia lawyers. The CPF assessment was established by the General Assembly in 2007 to increase the fund to levels recommended in an actuarial study. These receipts are transferred to an account maintained and invested specifically for client distributions. The VSB pays the expenses of the CPF board and support staff

from the operating fund. The fund balance currently is approximately \$4.7 million.

- Other sources outlined in Chart B, totaling \$1,203,500.

As always, please do not hesitate to let me know your thoughts, concerns, and questions about the bar's operations. The bar staff is dedicated to fulfilling the VSB's mission of protecting the public, regulating the profession, improving the quality of legal services, and providing access to justice for all Virginians, regardless of their ability to pay. ■

Chart B

**VIRGINIA STATE BAR PROJECTED REVENUE
FISCAL YEAR 2010 BUDGET**

| | FY 2010 PROJECTED REVENUE |
|---|--|
| Professional Corporations | \$100,900 |
| Virginia Lawyer/Register | 40,000 |
| Sections | 373,485 |
| Current Dues | 8,683,500 |
| Pamphlet Sales | 2,000 |
| Past & Penalty Dues | 480,000 |
| Seminar & Miscellaneous | 325,050 |
| Lawyer Referral | 223,750 |
| Mandatory Continuing Legal Education Fees | 780,000 |
| Professionalism Course Fees | 218,500 |
| Cost Assessments | 90,000 |
| Certificates of Good Standing | 23,500 |
| CRESPA Registration | 24,675 |
| Administration and Finance Account Receipts | 125,000 |
| Clients' Protection Fund Receipts | 718,125 |
| TOTAL PROJECTED REVENUE FY 2010 | \$12,208,485 |