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Sent: Monday, June 06, 2005 4:50 PM
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Subject: Proposed Florida Bar Budget Policies for 06-07 Fiscal Year

To: Section Chairs and Section Chairs-elect
From: President Kelly Overstreet Johnson and Chair of Budget Committee, Jerry Beer
Re: Proposed Florida Bar Budget Policies for 2006-2007 Fiscal Year
Date: June 6, 2005

This is to update you on the status of the above captioned that were shared with you in Jerry Beer's March 27, 2005 letter. After additional input from the Council of Sections, the Budget Committee unanimously recommended some changes to the program, which the Board of Governors adopted in its entirety. The changes are highlighted for you below.

I. Financial Caps

The original proposal called for a three-tiered support system by The Florida Bar for the benefit of the Sections. The Budget Committee recommended, and your Board of Governors agreed, to reduce it to a two-tiered system. The system in place will now provide \$10 of support for the first 1,000 members, with a \$10,000.00 floor, and thereafter The Florida Bar will agree to support all of the Sections up to \$5.00 per member. This change affects Sections that have more than 1,500 members and collectively adds approximately \$61,000 to The Florida Bar's commitment of continuing support to those Sections. It does not affect Sections under 1,500 members.

II. G&A Expense

The Council of Sections had also asked for relief from certain of the expenses in the G&A allocation. After much discussion, and checking with staff, the Board of Governors adopted a proposal similar to what was requested by the Council of Sections. The Council of Sections requested certain items be eliminated from the G&A allocation; those amounts accounted for approximately 18% of the G&A charge to the Sections. The Budget Committee recommended, and your Board of Governors adopted, a flat 20% reduction for G&A. Stated another way, each of the Sections will be charged only 80% of their G&A share in computing the amount of support provided to it by The Florida Bar.

III. Advanced Refunding

A methodology was worked out to provide a way for the Sections who have historically consumed fewer services than they paid for to be able to obtain a refund of the additional \$5.00 COLA increase. Any Section is eligible for an advanced refund if in the last three years (excluding the year just before the budget year is to take effect) they had a \$1.00 per member "surplus". They are entitled to one-half of their expected refund back at the beginning of the year. If that amount is \$2.00 per member, they are entitled to 100% of the expected refund back at the beginning of the year.

By way of illustration, for the 2006-07 budget year, a Section would need to have had a \$1.00 per member surplus for the years ending 2002, 2003 and 2004 (2005 is excluded) in order to qualify for the 50% advanced refund, and \$2.00 per member to qualify for the 100% advanced refund.

The Florida Bar will continue to monitor the reserve accounts of those Sections who have received advanced refunds to insure that the anticipated financial performance of the Section is in line with expectations.

IV. Cost of Living Adjustment

The Board of Governors has adopted a notice provision regarding any cost of living adjustments to the share of the Section dues that will be retained by The Florida Bar. As requested by the Council of Sections, The Florida Bar has agreed to give the Sections a minimum of a one-year notice of any expected change in the share of dues. Any additional adjustments in the cost of living factor will be provided to the Section at least one year before they are to go into effect.

V. Summary

The programs outlined in Jerry Beer's prior letter, along with these modifications, have been approved by your Board of Governors and will commence with the 2006-07 Bar year. The Special Budget Task Force, comprised of Jerry Beer, William Kalish and Marsha Rydberg, along with the Budget Committee of The Florida Bar and the entire Board of Governors, have worked long and hard to reach this milestone. As these changes are implemented, we will be watching to make sure that the revised program works in the way that everyone intends.

On behalf of the Board of Governors, we look forward to working with the Sections on a continuing basis as we all strive toward our common

goals.

cc: Alan Bookman, President-Elect
Henry M. Coxe, III, President-Elect Designate
Mayanne Downs, 2005-2006 Budget Chair
Marsha Rydberg, Council of Sections Chair
Michael J. Glazer, Board Liaison
John F. Harkness, Jr., Executive Director
Allen Martin, Director of Finance & Accounting