

AMERICAN BAR ASSOCIATION
SECTION OF ADMINISTRATIVE LAW AND REGULATORY PRACTICE

BUDGET REPORT
OCTOBER 28, 2006

Year-Ending August 31, 2006

The ABA Finance department is currently in the process of closing the financial books for the 2005-2006 fiscal year. They have released the "Pre-Audit I" report, which provides a preliminary look at what will be the final figures for the fiscal year. A "Pre-Audit II" report will be issued by the end of October 2006, and should not differ significantly from the Pre-Audit I.

The Section's Pre-Audit I balance sheet is enclosed as Attachment 1. The report indicates that our fiscal year revenue for 2005-2006 was \$531,047, while our fiscal year expenses were \$554,657.

Overall, we spent \$23,610 more than we earned. The major variances were in the Fall Meeting in D.C., which lost \$33,713 (the budgeted loss was \$19,490); the Spring Meeting in Bermuda, which lost \$32,397 (the budgeted loss was \$23,200); and the Mid-Year Meeting in Chicago, which lost \$32,177 (the budgeted loss was \$23,345).

A closer look reveals that the Fall Meeting sponsorships fell well below the expected \$28,000 as collected in the prior year. Other expenses for this meeting that were higher than expected included the addition of a Friday luncheon (on EU matters); and higher than expected costs for the Cosmos Club dinner.

For the Spring Meeting, the council travel reimbursement costs for Bermuda were higher than budgeted. The budget called for a cap of \$500 on airfare reimbursement. In the end, executing the cap proved unrealistic.

For the Midyear Meeting, originally slated for New Orleans, the unexpected shift to Chicago due to Hurricane Katrina had negative repercussions. Chicago is probably one of the strictest and most expensive cities in terms of union labor, not to mention weekend labor. High labor costs, along with a lesser than expected attendance due to the location, contributed to the loss.

The major revenue source that helped balance out the losses was our best-selling Lobbying Manual, posting net revenues of \$25,000.

Section Dues Revenue

Again referring to the attached Pre-Audit I report, we see that the amount of dues revenue collected to date for the 2006-2007 fiscal year lags slightly behind compared to this same time period last year (see Deferred Revenue).

Dues Collected as of August 31

2006	\$71,773
2005	\$84,108
2004	\$78,152

The dues collection process is led by the ABA, who sends out invoices on a periodic basis beginning in May leading up to the new membership year beginning September 1. The Section should devise a plan to encourage members to pay their dues promptly, which of course means their ABA dues first, and then their Section dues.

Overall dues collected for the 2005-2006 fiscal year met targets, at \$153,000 collected for lawyers (projected at \$150,000); and \$6,045 collected for associate members (projected at \$6,100). Although it continues to defy logic as to why with 8,000 lawyer members our dues are not \$320,000 (which would be 8,000 members x \$40). The ABA has no real explanation for this organization-wide variance, which many Sections questioned (again) at the most recent Section Officers Conference.

Section Reserves

In late September 2006 the Section Council was notified that the short-term investment account (cash account) was below \$5,000. The Council voted to transfer \$20,000 from reserves (bond fund) to the short-term fund. This allocation is prudent and accords with Section policy on allocation of reserves.

Second, the ABA's investment advisor, Ennis Knupp & Associates, recommended that 5% to 20% of Section reserves be invested in a foreign equity fund. Section policy permits an investment of 1.25% to 16% of Section reserves in a foreign equity fund. Upon vote of the Council, the Section transferred \$30,000 (approximately 10% of the Section's \$302,471 in reserves at last report) from domestic equities to foreign equities. This allocation accords with the Section's moderately aggressive investment strategy.

Six-Year Analysis

It is important to understand the Section's budgetary performance over a period of years. Attachment 2 provides data on the past six years of revenue and expense. The attachment also provides a six-year history of our reserve fund or investment account. It has been pointed out that the Section has too often moved money into the short-term fund (cash account) in order to cover operating expenses, such as publishing a new book, or to just

cover day-to-day operating expenses. However, the Section has not once, at least in the past six years, moved any surplus monies from book sales or any other revenue, back into the investment funds to “re-stock” the reserves.

The final attachment is a compilation of reserve policies of some other Sections, for reference purposes as it relates to the dollar amount to maintain in the short-term account.

AMERICAN BAR ASSOCIATION
SECTION BALANCE SHEET DETAIL BY RESP
PERIOD: AD1-06

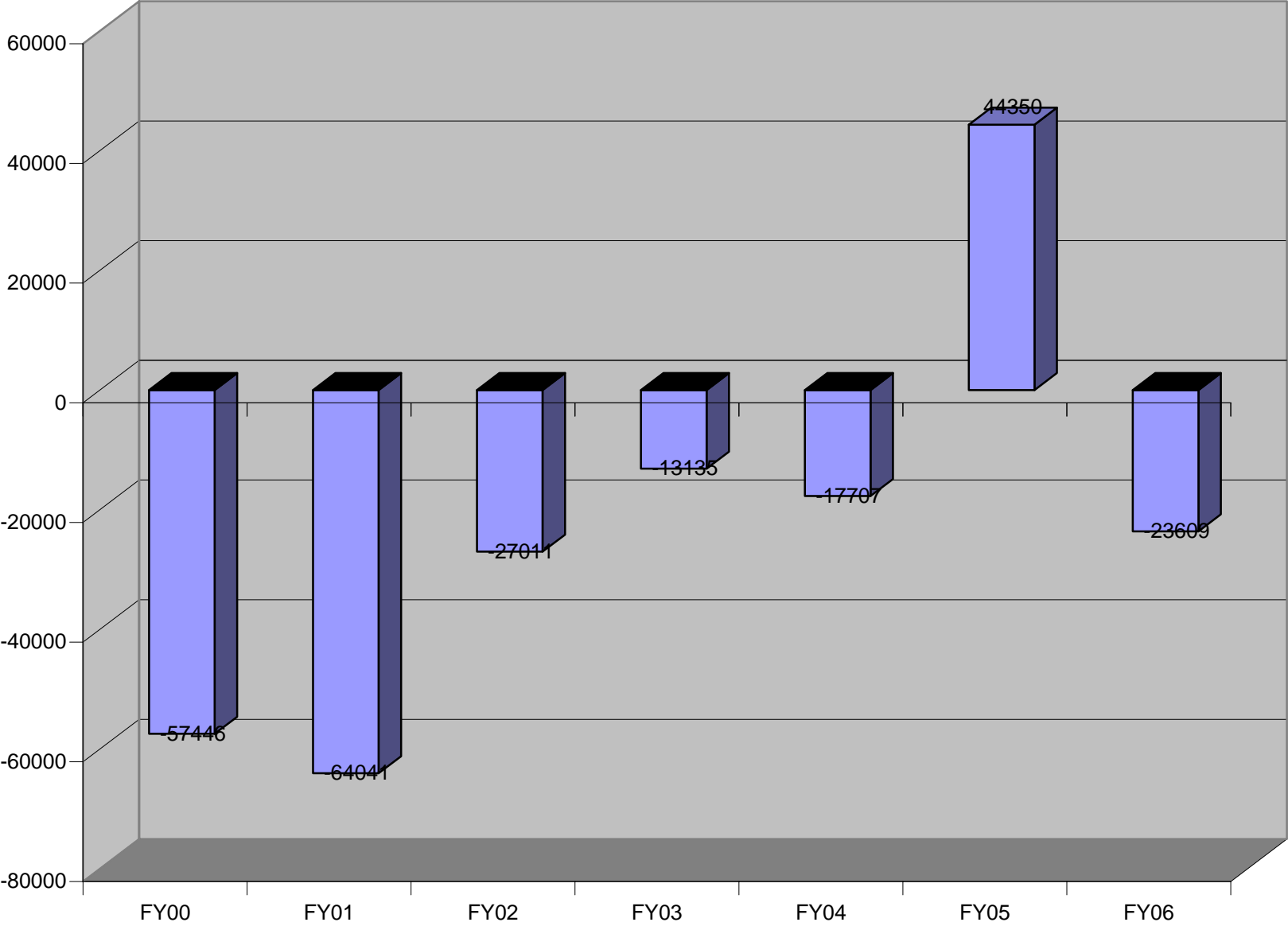
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Page 1 of 1

ACCT	CURRENT YEAR TO DATE	
15010	ADMINISTRATIVE LAW	
ASSETS		
56000	MISCELLANEOUS PREPAID EXPENSE	4,707.00
57010	NTQA	107,437.00
57020	CAPITAL GUARDIAN	77,468.00
57050	PIMCO TOTAL RETURN FUND	124,031.00
		313,643.00
TOTAL ASSETS EXCLUDING SHORT TERM INCOME FUND		
LIABILITIES		
67012	ADMIN LAW REVIEW DEFRD SUBS INCOME	7,661.27
67055	COMMTE NEWSLTR DEFERRED SUBS INCOME	664.20
68030	DEFERRED DUES-SECTIONS	68,801.55
68050	DEFERRED DUES-ASSOCIATES	2,972.51
68070	DEFERRED DUES-LAW STUDENTS	0.00
69000	DEFERRED MISCELLANEOUS INCOME	0.00
		80,099.53
TOTAL LIABILITIES		
BEGINNING NET ASSETS		261,672.96
FISCAL YEAR REVENUE		531,047.17
FISCAL YEAR EXPENSE		(554,656.82)
		238,063.31
ENDING NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		318,162.84
SHORT TERM INCOME		4,519.84

ATTACHMENT 2

Administrative Law Section							
Budget History							
Year Ending August 31							
	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Actual Total Revenue	277951	336710	273442	324464	314047	509597	531047
Actual Total Expense	335397	400751	300453	311329	331754	465247	554656
	-57446	-64041	-27011	13135	-17707	44350	-23609

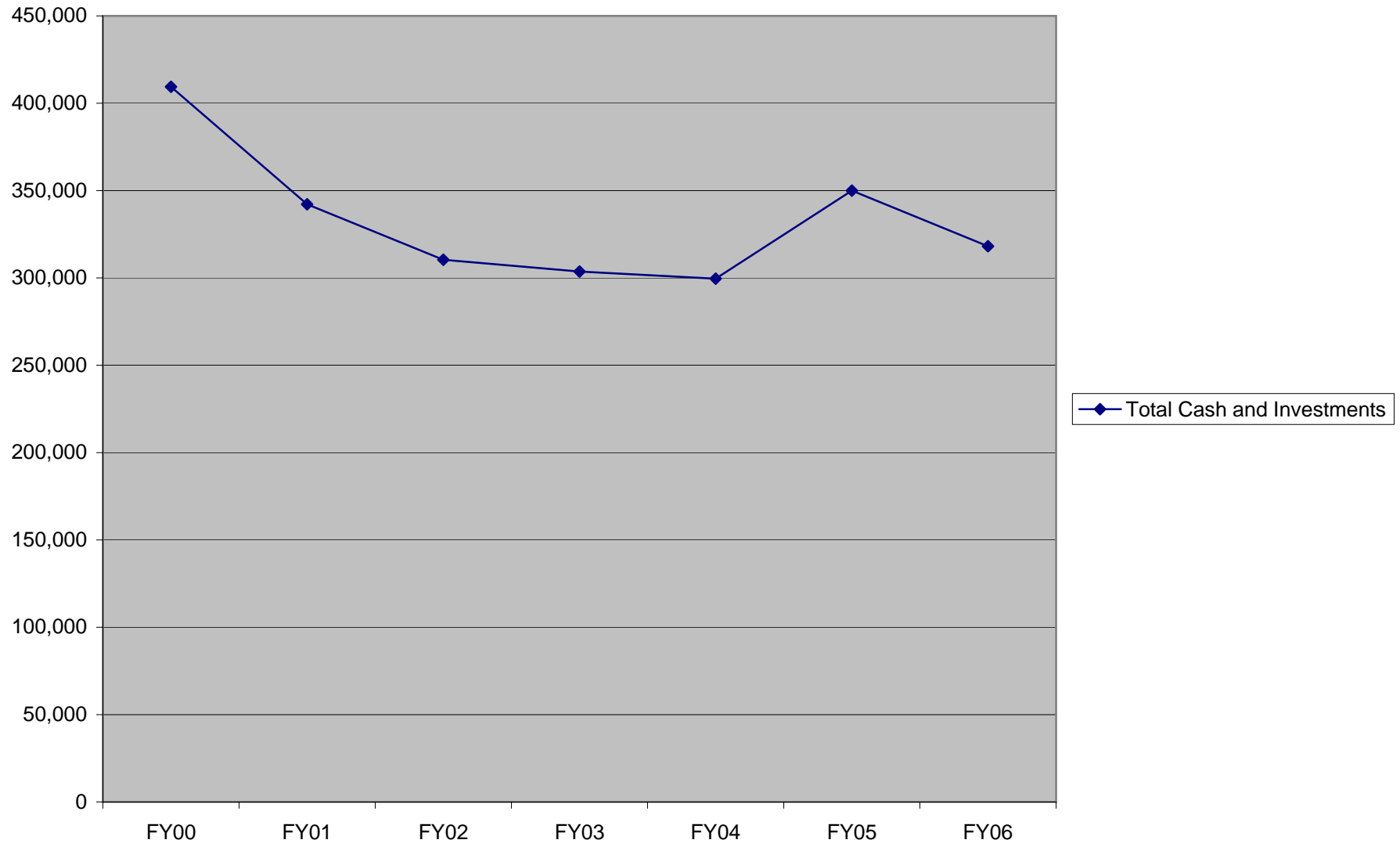
Profit or Loss by Fiscal Year



Administrative Law Section
Investment History

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Investments	319245	320502	308833	296694	270068	294973	313643
Short-Term/Cash	90201	21654	1556	6928	29481	54998	4519
Total Funds	409446	342156	310389	303622	299549	349971	318162

Total Cash and Investments



Responses to an Informal Survey of Sections Regarding Reserve Policies
 Summer 2006 – Conducted by the Intellectual Property Law Section

Responses Received From:

Public Contract Law (PC)

Family Law (FL)

Litigation (LT)

Antitrust (AT)

Tax (TX)

TIPS (TP)

Dispute Resolution (DR)

1) Does your section have a reserve policy?

PC - yes

FL - yes

LT - yes; policy also allows investment income to be allocated in budget

AT- yes

TX - yes

TP - yes

DR – yes

If so, does it specify the minimum amount for the reserves? Does it specify how many months/years of expenses it should cover?

PC - 50% of annual operating expenses(minus Gen Rev)

FL - Equal to 6 months of Section Expenses

LT - 50% of annual operating expenses

AT - 2X annual net operating budget

TX - Short Term to cover current expenses + short term cash acct to equal 800K

TP - 50% of annual membership dues

DR - targeted percentage for the Permanent Reserve is 100% or more of the gross annual expenditures as budgeted at the beginning of the fiscal year.

2) Does your section have a policy/guideline/practice that addresses how much should be held in the short term money market account vs. long term investments? (ST =short term, LT = Long Term)

PC- ST 100,000; LT 60% US; 20% non-US; 20% fixed

FL - ST Fund to cover 4 quarter expenses; LT 55-65%US; 5-10% non US; 30-40% fixed

LT - Short Term- 5%; LT: %0% US; 10% Inter'l; 35% Bonds

AT- ST \$250,000; LT 55-65% Equity. Remainder ST or Bonds

TX- 55%US; 5% Int'l; 40% Fixed Income; allocations can vary up to 15%

TP - 50/50 b/w fixed & equities. Short term funds are part of fixed income

DR – ST – Cash to cover 4 Quarters of Operating Exp; LT: 65-70% US; 10-20%_Non US Equity; 15-35% Fixed Income; Section also has contingent reserve fund; Section can budget up to 5% of revenue from Perm Reserve Investments