



The State Bar of *California*

# The April Reports



# Overview of the April Reports

## I. Fee Increase

- "Sustaining Core Operations" — to maintain existing operations and service levels
- "Expanding Impact" — to improve operations, increase efficiency, and improve service levels

### IA. Discipline System Improvements

- Changes in processes and performance and operational efficiencies
- Comparison against SB 211 case processing standards + SBC hearing data

## II. Diversion Program for Minor Violations

Formal [diversion program](#) in alignment with directive to cease private discipline effective 1/1/25



**SEE HERE FOR SPECIFIC STATUTORY REQUIREMENTS**



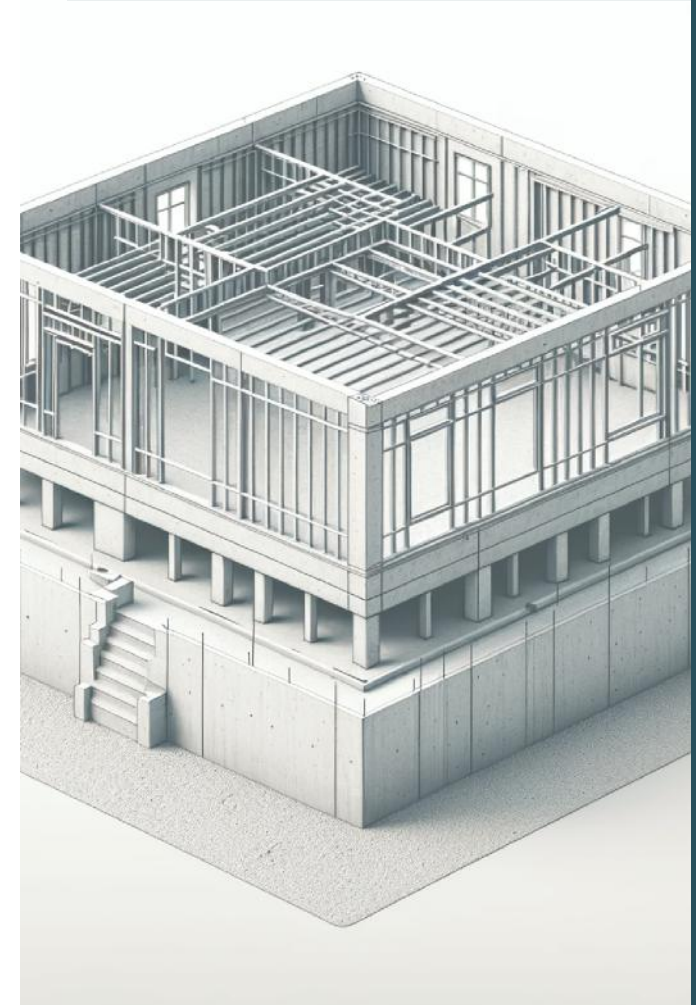
# Sustaining Core Operations

June 2023, the State Bar identified a core operations funding need of

**\$77** per active licensee

## Core Operating Needs

- ✓ **\$26** Address contractual obligations for State Bar staff; discontinue hiring freezes and forced vacancy rates
- ✓ **\$24** Address structural underfunding as identified by the State Auditor
- ✓ **\$21** Pay lease after SF building sale
- ✓ **\$3** Appropriately staff Complaint Review Unit
- ✓ **\$2** Fund DEI programs to fulfill statutory mission
- ✓ **\$1** Supplement funding to support JNE Commission, absent changes by Governor or Legislature



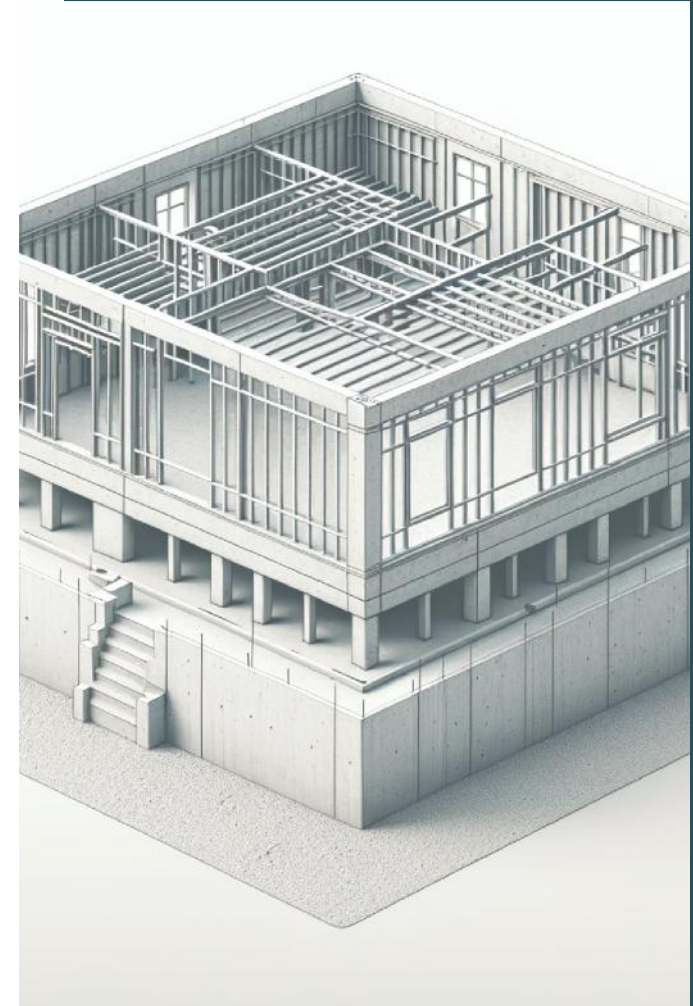


# Sustaining Core Operations

August 2023, the State Bar identified a core operations funding need of **\$82** per active licensee based on a projected deficit of **\$17 million**:

CRU, DEI, JNE not included

Core Operating Needs	June 2023	Updated	Comment
✓ Address contractual obligations for State Bar staff; discontinue hiring freezes and forced vacancy rates	\$26	\$27	Updated benefits and headcount
✓ Address structural underfunding as identified by the State Auditor	\$24	\$29	CSA assumed \$1.1M in General Fund revenue that is not available. \$5 adjustment to correct.
✓ Pay lease after SF building sale	\$21	\$15	2024 budget now assumes ongoing costs of building ownership versus lease.
✓ PTO and sick leave accruals	\$0	\$11	Not historically accounted for in budget but booked as an expense annually; given General Fund financial position accruals must be formally budgeted.
<b>Total</b>	<b>\$77</b>	<b>\$82</b>	



# 2025 Projection as of January 2024 Board Meeting

2024 Budget

minus one-time expenses and cost mitigation measures

+ increase for known personnel cost escalation 5%

+ estimated service cost increase 2.6%

adjusted for projected revenue increase licensee growth (1.5%); MFA/LRS fees

	2024 ADJUSTED BUDGET	2025 PROJECTION
Revenue	\$97M	\$98M
Expenses	\$114.6M	\$120M
Deficit	(\$17.6M)	(\$22M)

Projected 2025 core operations funding need of **\$103** per active licensee based on a projected structural deficit of **\$22 million**

- \$77 June 2023
- \$82 August 2023

# 2025 Projection as Presented in Budget for Approval Today

2024 Budget

minus one-time expenses and cost mitigation measures

+ increase for known personnel cost escalation  
**5%**

+ estimated service cost increase  
**3%**

adjusted for projected revenue increase licensee growth (0.3%); MFA/LRS fees

	2024 ADJUSTED BUDGET	2025 PROJECTION
Revenue	\$96M	\$96M
Expenses	\$114M	\$120M
Deficit	(\$18M)	(\$24M)

Projected 2025 core operations funding need of **\$114** per active licensee based on a projected structural deficit of **\$24 million**

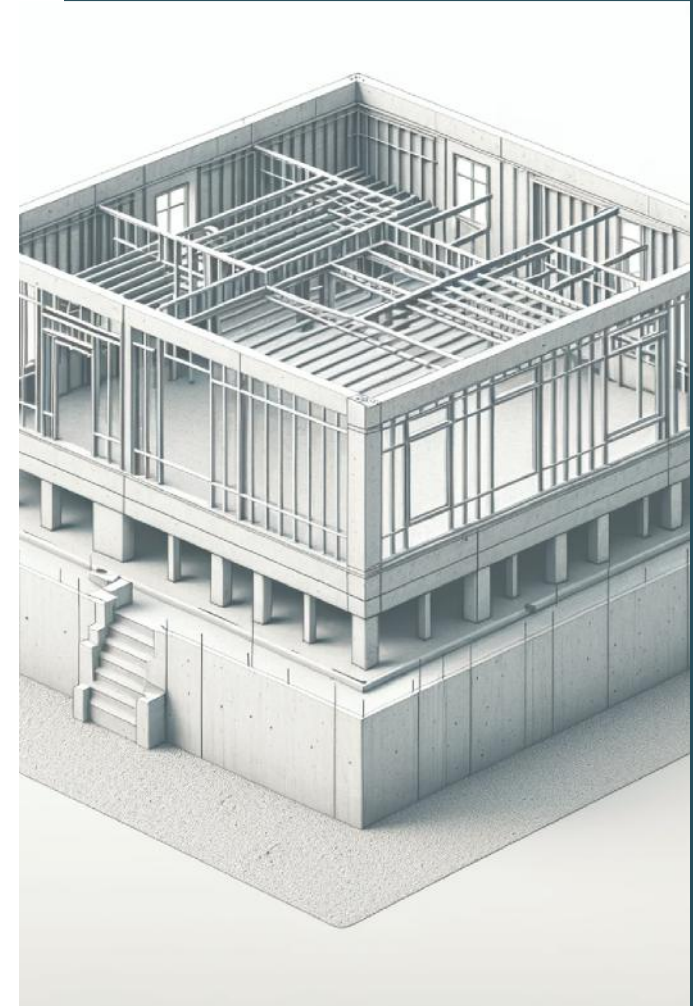
- \$77 June 2023
- \$82 August 2023
- \$103 January 2024
  - Change from January due to change in licensee count projection



# Sustaining Core Operations

\$114 comprises.....

Core Operating Needs	June 2023	Aug 2023	2025	Comment
✓ Address contractual obligations for State Bar staff; discontinue hiring freezes and forced vacancy rates	\$26	\$27	\$39	Updated benefits and headcount.
✓ Address structural underfunding as identified by the State Auditor	\$24	\$29	\$40	Address structural deficit.
✓ Pay lease after SF building sale	\$21	\$15	\$21	2025 Forecast now includes ongoing costs of the building lease.
✓ PTO and Sick Leave Accruals	\$0	\$11	\$14	Not historically accounted for in budget but booked as an expense annually; given General Fund financial position accruals must be formally budgeted.
✓ Appropriately staff Complaint Review Unit	\$3			
✓ Fund DEI programs to fulfill statutory mission	\$2			
✓ Supplemental funding to support JNE Commission, absent changes by Governor or Legislature	\$1			
<b>Total</b>	<b>\$77</b>	<b>\$82</b>	<b>\$114</b>	



# Expanding Impact

June 2023, the State Bar identified an expanding impact funding need of **\$30** per active licensee

## Legislative Priorities and Client Trust Account (CTA) Protection

- ✓ **\$12** Fund new permanent positions for CTA complaints
- ✓ **\$7** Implement CTA compliance reviews & audits
- ✓ **\$6** Establish diversion program for low-level violations
- ✓ **\$3** Integrate State Bar into state budget
- ✓ **\$2** Establish Inspector General for discipline system





# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting

## Attorney Representation Pilot

### How much do we need?

\$250,000 or \$1.25 per active licensee. ONE TIME

### Why do we need add'l \$ and what will impact be?

Lack of representation found key to racial disparities in discipline system. Funding will be used to support a pilot wherein SB will provide appointed counsel for a random sample of income-eligible attorneys and assess impact on disciplinary outcomes.

### Result if not funded

No dedicated funding to pilot a primary recommendation stemming from the 2019 study on racial disparities in the attorney discipline system.

# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting



Additional CRU data available on pages 22-23



## Complaint Review Unit

### How much do we need?

\$682,781 or \$3.25 per active licensee.

Additional one-time funding needed for backlog reduction, amount TBD.

### Why do we need add'l \$ and what will impact be?

CRU has had just 4 quarters of a clearance rate in excess of 100% in the last 5 years. As a result, pending inventory has increased, and now stands at over 1,200 cases. Further, the % of pending cases more than 6 months old is climbing, with average case processing time = 285 days.

Requested ongoing funding will support a clearance rate of 100% and reduce disposition time.

One-time funding to support backlog reduction is also needed.

### Result if not funded

Pending inventory will continue to grow and age; members of the public seeking redress will not have their matters timely addressed.



# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting

## Client Trust Account Protection Program

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### How much do we need?

\$1.82M or \$8.75 per active licensee.  
If levied on attorneys with CTAs only, \$17.75.

### Why do we need add'l \$ and what will impact be?

State Bar implemented the registration and education phase of CTAPP with no additional funding but does not have resources to expand the program to better protect the public. Currently, attorneys self-report CTA data and banks and attorneys report IOLTA information. Funding will support the addition of 430 annual compliance reviews and 110 regulatory audits annually.

### Result if not funded

The State Bar cannot verify compliance with trust accounting rules or proactively protect the public by detecting fraud without a comprehensive compliance review and auditing program.



# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting

## Diversion Program

### How much do we need?

\$1.3M of which \$420,000 is a limited term (3 year) fee or \$6.50 per active licensee for 3 years, \$4.50 thereafter.

### Why do we need add'l \$ and what will impact be?

SB directed to establish a formal diversion program which is comprised of three prongs, two of which address inflow of complaints to OCTC (PTL Bridge Program; MFA), and one of which is a post-complaint filing diversion effort housed in OCTC. Together the program is expected to significantly reduce disciplinary work associated with 10–20% of OCTC's current annual complaints.

### Result if not funded

OCTC will continue to use existing resources to staff diversion, potentially limiting reach of the program; PTL-Bridge and MFA unable to meaningfully launch or expand; overall reductions in the number of cases diverted will limit intended result of enabling OCTC to focus on more serious disciplinary matters.



# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting

## Elimination of Bias

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### How much do we need?

\$479,192 or \$2 per active licensee, mandatory.  
Current \$2 is optional; approximately 70 percent of licensees pay the fee.

### Why do we need add'l \$ and what will impact be?

Currently, while the SB is required to engage in DEI activity and report on related progress to the Legislature, this work is funded by an opt-out EOB donation of \$2. Conversion to a mandatory fee is expected to increase revenue by \$143,758 annually, enabling full funding of staff supporting work and key DEI initiatives.

### Result if not funded

Continuation of unreliable funding levels which makes it difficult to plan, be truly impactful, and meaningfully achieve statutory objectives.



# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting

## Information Technology

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**How much do we need?**  
TBD.

**Why do we need add'l \$ and what will impact be?**

Inadequate infrastructure, security, data governance, project management and delivery, and application support tools and processes lead to inefficiencies, security risks, negative user experiences, and ultimately more expense.

**Result if not funded**

The State Bar's core mission critical activities and new initiatives to further public protection, which are increasingly dependent on modern IT systems, tools, and processes, will be delayed or hampered as we fall further behind in technology.



# Expanding Impact: Building the 2025 Request, New Item In Person Meetings

## How much do we need?

\$674,952 or \$3.25 per active licensee.

Note, this amount does not account for in-person meetings already budgeted for 2025.

## Why do we need add'l \$ and what will impact be?

As a cost reduction measure and reflecting lessons learned during the pandemic, the State Bar Board of Trustees has continued to hold two of its six standing meetings per year remotely. Similarly, subentities, other than JNE, have continued to meet remotely, with just two in-person meetings/year. In-person meetings may improve the quality of engagement and work product. Additional funding is needed to support a transition back to all meetings being held in-person, including investments in the SF office space to support holding meetings in that location.

## Result if not funded

Two of six Board meetings will continue to be held remotely; subentities will continue to hold two meetings annually in person. The SF conference center will not be upgraded to support Zoom conferencing, and the quality of engagement and work product may not improve.



# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting

## JNE Commission

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### How much do we need?

\$1.2M or \$5.75 per active licensee.

### Why do we need add'l \$ and what will impact be?

JNE is an unfunded mandate for the SB not aligned with our statutory mission. The SB is using limited attorney licensing fees to support this work. Funding request recognizes the fact that JNE will remain housed in the SB and will result in additional revenue necessary to fully address cost of JNE operations.

### Result if not funded

SB will continue to use attorney licensing fees that should be used to support statutory mission to fund JNE work and budget cuts may be necessary which would reduce the number of candidates JNE can evaluate even in light of very high judicial vacancies.





# OCTC Case Processing Standards



**SB 40 Progress Update on the Office  
of Chief Trial Counsel's Performance  
and Staffing Needs Analysis**



**DOWNLOAD**



# Expanding Impact: Building the 2025 Request, Follow Up from January Meeting

## OCTC

### How much do we need?

\$11.8M over three years or 18.75 per active licensee year 1, double year 2, triple year 3 and beyond. Number needs to be adjusted downwards to reflect impact of Diversion Program.

### Why do we need add'l \$ and what will impact be?

OCTC has consistently been unable to meet statutory case processing goals, and its pending inventory of cases is increasing. The Legislature directed development of new case processing standards and related backlog goals in 2022, as well as an analysis of the gap between current performance and the new standards. This analysis reveals a need for 75 positions. The addition of these positions will ensure that complaints are processed efficiently, effectively, and fairly.

### Result if not funded

Absent new resources, OCTC will continue to be unable to comply with either existing or proposed case processing standards, complainants and respondents will continue to endure long pendency periods, and the inventory of unaddressed cases will continue to increase.



# Expanding Impact Total

Expanding Impact Area	Amount Needed	2025		2026	2027	2028
		Active Licensee	Inactive Licensee	Active Licensee	Active Licensee	Active Licensee
Attorney Representation	250,000	1.25	.25	0.00		
<i>Attorney Representation Pilot: 100% one-time</i>						
EOB	479,192	2.00	2.00	2.00	2.00	2.00
<i>EOB differential: optional versus mandatory</i>	143,758					
Complaint Review Unit	682,781	3.25	1.00	3.25	3.25	3.25
Client Trust Account Protection Program	1,822,432	8.75	2.00	8.75	8.75	8.75
Diversion Program	1,338,598	6.50	1.50	6.50	6.50	4.50
<i>MFA one-time need of \$1.2M split over 3 years</i>	420,000					
Information Technology	TBD	0.00	0.00	0.00	0.00	0.00
In-Person Meetings	674,952	3.25	.75	3.25	3.25	3.25
JNE Commission	1,186,000	5.75	1.25	5.75	5.75	5.75
OCTC Case Processing	3,943,554	18.75	4.75	37.50	56.25	56.25
<i>Total need: \$11.8M split over 3 years</i>						
<b>Total</b>		<b>49.50</b>	<b>13.50</b>	<b>67.00</b>	<b>85.75</b>	<b>83.75</b>



# Grand Total, 2025 Request

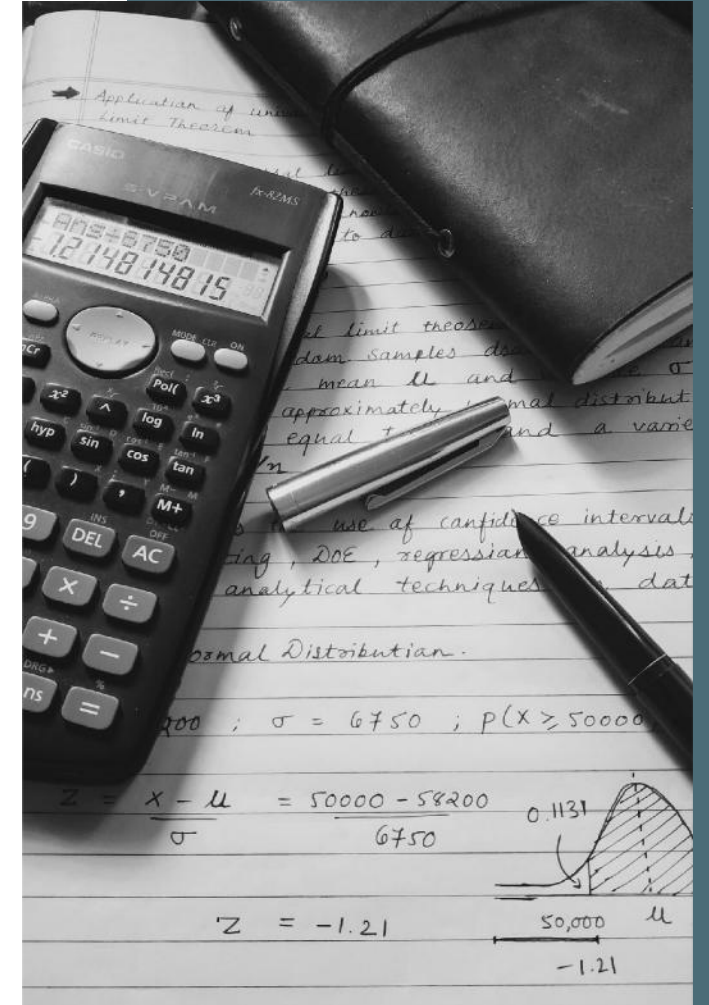


**\$114**

Sustaining Core Operations

**\$49.50**

Expanding Impact



# Policy Considerations




## Decisions to be revisited

- Licensee count for 2025
  - \$2M recent fluctuation in revenue impacted by change
- Budget positions at mid-salary range?
  - Current practice, but does it adequately account for growth

## Accounting for future growth

- Personnel costs grow annually
  - Step increases
  - COLAs
  - Health care benefits
- Service costs increase annually

## Fee increase structure

- Increase sought will be substantial
- New fee structure appropriate?
- See supporting data and options developed to date → 
  - Practice sector-based fees
  - Income-based fees
  - Years in practice-based fees
  - CTA-specific fees



# Additional CRU Data

## OFFICE OF GENERAL COUNSEL | COMPLAINT REVIEW UNIT (CRU) REQUEST PROCESSING

**FILTERS**

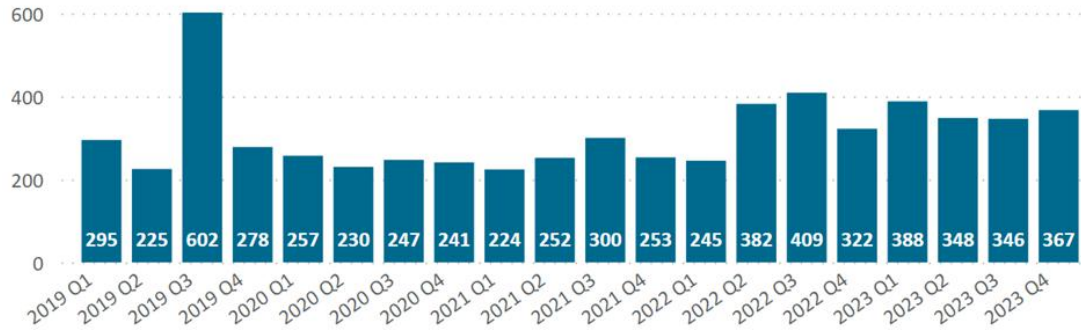
COMPLEX - OCTC\*

PRIORITY - OCTC\*

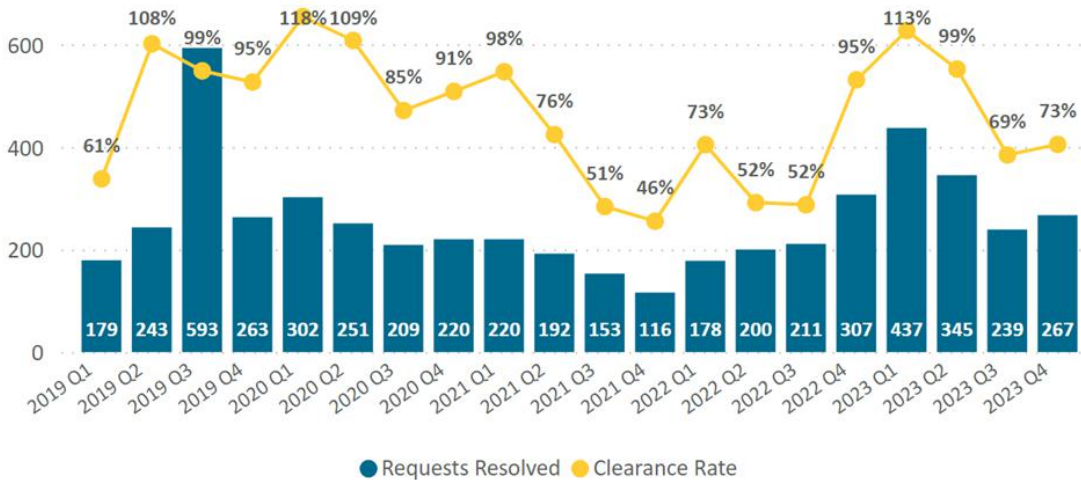
CASE CLOSURE PHASE - OCTC\*

**NEXT PAGE**

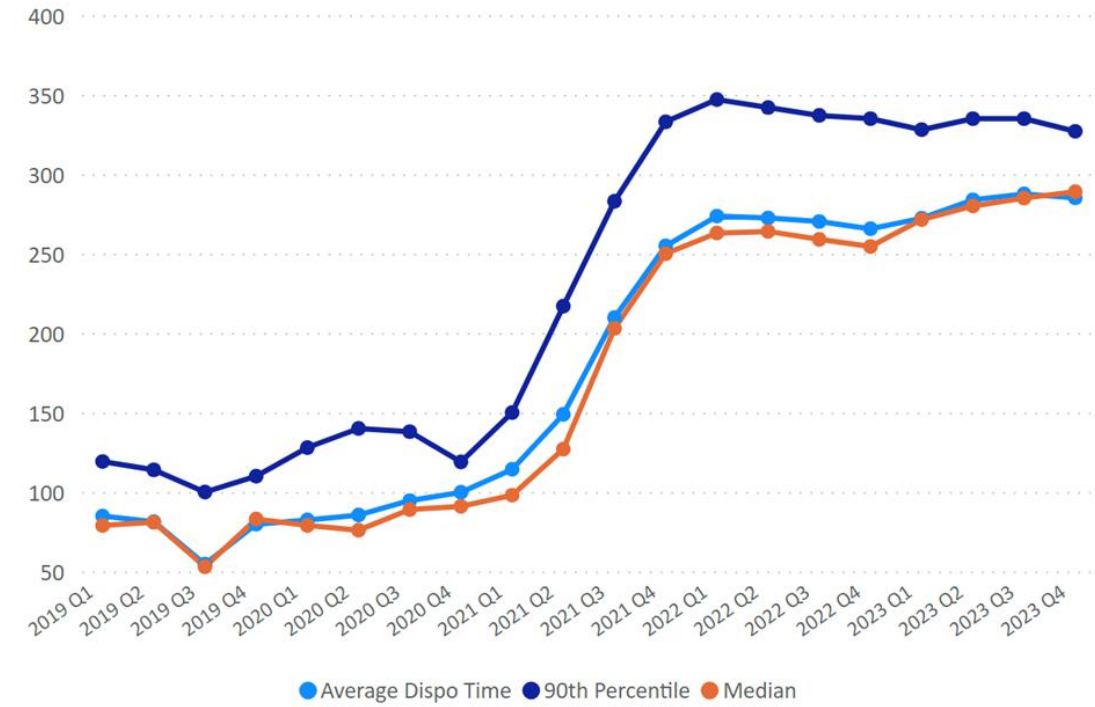
### REQUESTS RECEIVED



### REQUESTS RESOLVED AND CLEARANCE RATE



### DISPOSITION TIME: AVERAGE, MEDIAN AND 90TH PERCENTILE



\*Complexity and priority are determined by OCTC prior to the closure of original complaint cases. The term "Case Closure Phase" refers to the phase of the case at the time of closure by OCTC. For more information, please see the ["Glossary"](#) page.



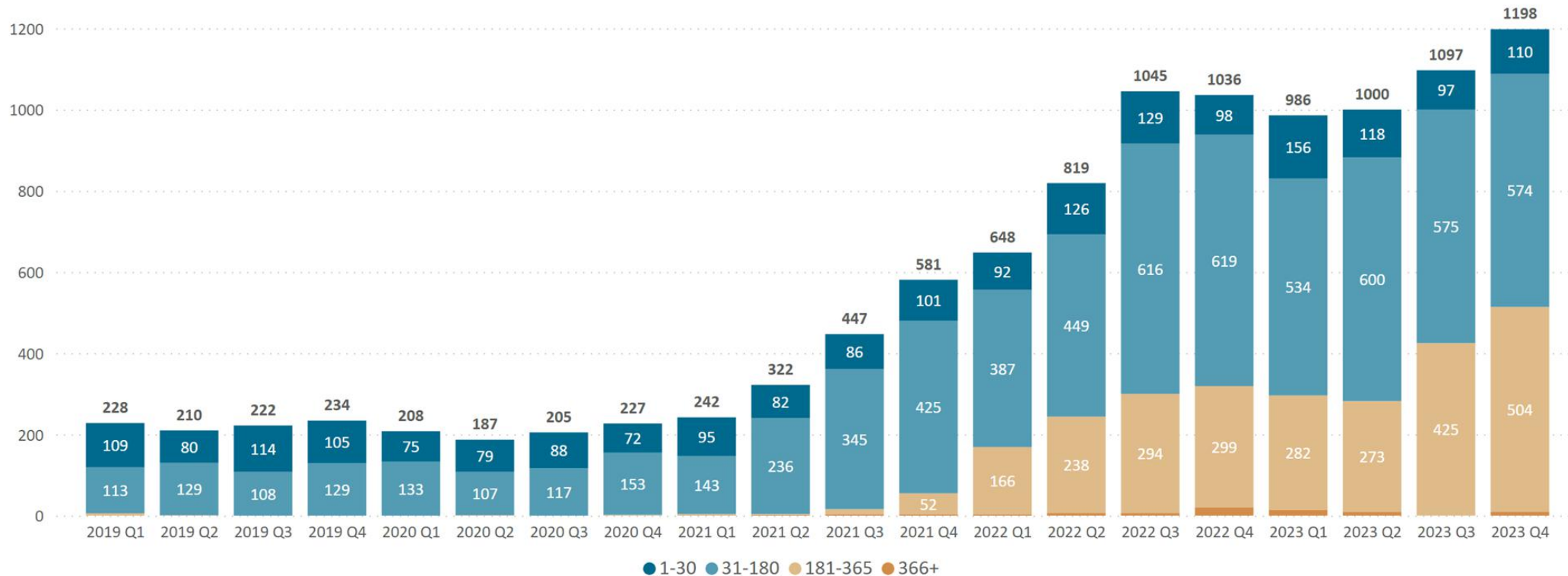
# Additional CRU Data

## OFFICE OF GENERAL COUNSEL | COMPLAINT REVIEW UNIT (CRU) INVENTORY

**FILTERS\***    **COMPLEX - OCTC**    **PRIORITY - OCTC**    **CASE CLOSURE PHASE - OCTC**    **PREVIOUS PAGE**

All    All    All

### INVENTORY BY REQUEST AGE



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