



The State Bar *of California*

DATE: October 21, 2020

TO: Members, Eligibility and Budget Review Committee, Legal Services Trust Fund Commission

FROM: Doan Nguyen, Program Supervisor
Erica Carroll, Senior Program Analyst

SUBJECT: Review and Discuss Budget-Related Issues and Recommend Approval of 2021 IOLTA and EAF Budget Proposals to Legal Services Trust Fund Commission

EXECUTIVE SUMMARY

Each year the State Bar, through the Legal Services Trust Fund Commission (LSTFC), administers the Interest on Lawyers' Trust Accounts (IOLTA) and Equal Access Fund (EAF) grants.

The State Bar will distribute approximately \$24 million in IOLTA funds¹ and \$21.2 million in EAF funds in 2021.² After completing its application and eligibility review process, the LSTFC approved 101 organizations for tentative award allocations on August 14, 2020. The State Bar's Office of Access & Inclusion (OA&I) calculated proposed award allocations as prescribed by the IOLTA statute, and notified programs of the amount of their allocation on August 21, 2020. Qualified legal service providers (QLSPs) and support centers (SCs) had 30 days to submit their proposed budgets detailing how they would spend the allocated amount. Of the 101 IOLTA/EAF-eligible organizations, 97 submitted budgets by the deadline; three budget proposals arrived late, and one organization declined its tentative allocation.

The Eligibility and Budget Review Committee (Committee) of the LSTFC will meet on October 28, 2020, to review budget proposals from these QLSPs and SCs. This memorandum provides a synopsis of the budget review process and issues elevated for Committee review. After discussing and resolving any issues raised, staff recommends that the Committee recommend approval of all proposed budgets to the LSTFC.

¹ The amount recommended by the LSTFC and approved by the Board of Trustees was approximately \$23.5 million. However, some funds were returned to the State Bar in 2020, and that amount has been added to the total funds to be redistributed in 2021.

² This is not inclusive of EAF funds that go towards Partnership Grants or Homelessness Prevention projects, which have separate application processes. The amount listed here will be distributed to eligible recipients along with the IOLTA funds based on a statutory formula.

BACKGROUND

GOVERNING AUTHORITIES

Section 6216 of the Business and Professions Code prescribes the method for allocating IOLTA funds to QLSPs and SCs. Once the State Bar releases these tentative allocations, State Bar Rule 3.680(E)(3) requires that QLSPs and SCs prepare and submit a proposed budget and budget narrative within 30 days. This timeline is essential for review, any necessary budget revisions, Commission approval, and distribution of grant agreements before the end of the year. This then allows for the timely execution of grant agreements and the first quarter disbursement of funds in January.

The State Budget Act created the EAF; that act further specifies that 90 percent of the funds will be distributed by the State Bar in the same manner as the IOLTA funds. Though the process is the same for determining award allocations and distribution, IOLTA and EAF remain distinct funding sources. QLSPs and SCs must submit separate budgets for each grant. Moreover, EAF requires funding to be tied to a set legal area or client constituency with discrete deliverables and outcomes for evaluation purposes, as explained in the budget instructions for both types of grantees.

The IOLTA/EAF budget application requires that grant recipients allocate at least 75 percent of funds to programs and 25 percent or less to administrative expenses; grant recipients are also required to allocate 75 percent or more of the budget to personnel and 25 percent or less to non-personnel expenses. This has been the practice for at least the past five years. There is a similar requirement that no more than 40 percent of the grant funds used for personnel expenses pay for employee benefits. Deviation from any of these amounts requires Committee approval.

Budgeting for activities that may not qualify as legal services under the IOLTA statute and Rules of the State Bar also requires review, as do purchases of real property or any significant capital additions, which are controlled by the Legal Services Trust Fund Program Guidelines for Purchases of Real Property (Guidelines). (See Attachment A.)

STAFF APPLICATION REVIEW PROCESS

Budget proposals for the 2020 IOLTA/EAF grant allocations were due on Monday, September 21, 2020 at 5:00 p.m.

Staff reviewed proposed budgets to confirm compliance with the governing authorities. Budget review involved, but was not limited to, checking proper calculation of full-time staff equivalents and salaries; use of funds for only qualifying activities; proper allocations by county for programs that operate in multiple counties; compliance with the recommended ratio of programmatic to administrative expenses and personnel to non-personnel expenses; any purchases of real property or capital additions; and ensuring that expenditures are tied to anticipated activities and outcomes. If questions arose during review, staff contacted the organizations for clarification or correction and provided the opportunity to revise the budgets where necessary.

Interest rates fell precipitously early in 2020; rates had already declined slightly after hitting a peak of 2.5 percent in late 2018 that lasted through much of 2019, but after COVID-19 began spreading widely in the United States, interest rates were eventually reduced to near zero and are anticipated to remain that way for some time. This led to a 57 percent decrease in 2021 funding from 2020 levels. As a result,

many organizations have devoted funding primarily to their core legal services, specifically to personnel expenses to maintain staffing levels as the demand for legal services increases.

Staff have completed review of all 100 budgets. (Though 101 applicants received tentative allocations, one applicant, HEART LA, subsequently declined its allocation and did not submit a budget proposal.) The Discussion section highlights all issues that require Committee review. The Committee will meet on October 28, 2020 to discuss staff recommendations and vote whether to recommend approval or revision of the submitted budgets to the LSTFC. The LSTFC will then meet on November 13, 2020 to vote on the Committee's recommendations.

DISCUSSION

The following issues arose in one or more budget proposals and require Committee recommendations:

1. Tangible Property and Real Property Purchases

Some organizations budgeted to purchase tangible personal property improvements (e.g. computers, phone systems) to meet changing office needs in response to remote work environments. Grant recipients were required to itemize these purchases in the budget. Current Guidelines for Management of Tangible Personal Property do not require prior approval beyond the overall budget approval. (See Attachment B.) Grant recipients must, however, maintain proper financial documentation and produce it as necessary for monitoring purposes. This includes documentation granting the State Bar a security interest in the tangible personal property.

Unlike tangible personal property, real property purchases in excess of \$5,000 or five percent of the grant award (whichever is less), require Committee approval. In contrast to last year where eight organizations budgeted to prepay their mortgages or make other improvements to their spaces, in 2021, only one organization has pursued any significant capital additions. These expenditures fall under the Real Property Purchase Guidelines. (Attachment A.) Neighborhood Legal Services (NLS) budgeted \$25,000 of its IOLTA funding to complete \$100,000 in leasehold improvements to its office in El Monte. This is a continuation of the capital additions that were budgeted in 2020 and previously approved by this Committee.

Staff recommends that the Committee approve this expenditure, as it appears it will enhance the operating ability of the program and/or constitute an effective means to support continued high-quality civil legal representation of indigent persons, consistent with the Guidelines.

2. Deviations from Recommended Program/Administrative, Personnel/Non-Personnel, and/or Salary/Benefits Allocations

Budget proposal instructions recommended that grantees devote 75 percent or more of the allocated funds to program expenses and no more than 25 percent to administrative expenses (similarly, 75 percent or more to personnel expenses and 25 percent or less to non-personnel), which has been the standard target allocation for the past several years. Staff also flags any budgets that allocate more than 40 percent of their IOLTA/EAF funds dedicated to personnel expenses to employee benefits over salaries. Staff elevates all budgets that deviate from these allocations to the Committee for review and approval or revision.

The recommended allocations reflect the fact that these grants are devoted to provision of civil legal services to indigent persons for the grant period. Staff informed QLSPs and SCs that departures from the proposed allocations require grantees to explain their rationale for the use of the funds. They must also demonstrate how the allocation would support their programmatic work, and ultimately benefit clients and improve or expand service delivery.

a. Deviation from Program/Administrative Allocations

One organization, Legal Aid Society of San Bernardino (LASSB), deviated from the recommended budget allocation of at least 75 percent to programs in both its IOLTA and EAF budgets. LASSB provided the following explanation for deviations in both budgets, allocating 73 percent of expenses to programs and 27 percent to administration:

“The onset of Covid-19 legislative restrictions required LASSB to instantly modify our service-delivery platform. The 2021 project includes acquisition of a new case management system, a platform for more secured communication and exchange of documents between LASSB and clients, and a method for clients with limited electronic access to review and sign documents, despite our remote-service platform. The initial cost to acquire and implement the new software programs resulted in an extra 2% of the allocated budget within the administrative portion of the project costs. However, that 2% differential will ultimately yield more effective and secured service for our clientele throughout the coming years.”

Staff recommends approval of the deviation from the typical allocation given that the deviation is relatively small and given LASSB’s explanation.

b. Deviation from Personnel/Non-Personnel Allocations

One organization, Neighborhood Legal Services (NLS), deviated from the recommended budget allocation of at least 75 percent to personnel in its budget proposal. NLS provided the following explanation regarding the deviation in its IOLTA budget:

“NLSLA has proposed an IOLTA budget with a personnel allocation of less than 75% ~ 65.40%. NLSLA seeks to utilize \$25,000 of the IOLTA funds to complete \$100,000 of additional tenant building improvements to our El Monte Office building. NLSLA also budgeted \$65,000 for program and administrative memberships, bar dues and meeting related expenses; these expenses are generally not chargeable to LSC. Lastly, NLSLA budgeted \$60,000 for contracted work with business consultants, program trainers, client interpreters / translators, case management programmer, and special counsel to support program functions and administrative functions.”

Staff recommends approval of the deviation from the typical allocations based on the explanation provided by NLS.

c. Deviation from Recommended Salary/Benefits Percentages

Another organization, Mental Health Advocacy Services (MHAS), allocated more than 40 percent of its EAF personnel budget to employee benefits over salaries. MHAS provided the following explanation:

“The EAF grant provides critically needed support to allow MHAS to add a Staff Attorney who has been awarded an Equal Justice Works (EJW) Fellowship. Specifically, MHAS will use the EAF grant to leverage the EJW grant, which funds only a portion of the Staff Attorney’s salary and none of the related costs. The EJW Fellowship covers 83% of the Staff Attorney’s salary, and it provides no funds for the Staff Attorney’s benefits, supervision or non-personnel costs associated with the project. The EAF grant provides the support necessary to sustain the project by covering the unfunded portion of the Staff Attorney’s salary and 75% of the Staff Attorney’s benefits. EAF funds will also be used to cover the cost of salary and benefits for the project’s Supervising Attorney (0.15 FTE), as well as 75% of the project’s non-personnel expenses. MHAS can utilize other grants and contributions to cover the remaining 25% of the Fellow’s benefits and the remaining 25% of the non-personnel expenses.”

Staff recommends approval of the deviation from the typical allocations based on the explanation provided by MHAS.

3. Review of Possibly Non-Qualifying Activities

In cases where there is a request to use the IOLTA/EAF grants to fund certain activities that may not meet the definition of “legal services,” staff elevates these proposals to the Committee for review. An example would be whether activities of a staff social worker would qualify under “legal services.”

One organization, Dependency Advocacy Center (DAC), proposed to fund activities as “legal services” that are outside the traditional definition under State Bar Rule 3.672 (“professional services provided by a licensee of the State Bar and similar or complementary services of a law student or paralegal under the supervision and control of a licensee of the State Bar in accordance with law”). As with its budget proposal last year, DAC allocated both IOLTA and EAF funds to support .72 FTE (full-time equivalent) for a social work position, and .14 FTE for an attorney to supervise the social worker. Office practice has been to consider social work activities as part of an organization’s legal services to the extent that the services are directly tied to the organization’s legal outcomes. If the social work activities are ancillary or occur after the legal matter has concluded, they would not count as legal services.

Staff recommends approval of these activities in 2021 because they are tied to the legal outcomes achieved through DAC’s work, and they are substantially similar to those approved by this Committee last year. However, staff notes that this may change in the future depending on the outcome of the codification process, which is reexamining the definition of “civil legal services.”

4. Late and Withdrawn Budget Proposals

OA&I prepared 101 tentative allocations and 97 organizations submitted their budgets by the deadline.

Three organizations submitted their budgets within one hour of the deadline:

1. Legal Aid Society of San Bernardino at 5:14 p.m.
2. Asian Pacific Islander Legal Outreach at 5:41 p.m.
3. Justice and Diversity Center of the Bar Association of San Francisco at 5:49 p.m.

Nonetheless, staff recommends approval of these organizations’ proposed budgets.

One organization, HEART LA, did not submit a final budget proposal. HEART LA informed staff that it would not finish the application process and withdrew its request for an allocation.³ Thus, only 100 organizations appear on the list of organizations recommended for budget approval.

5. Summary of Staff Recommendations

In light of the foregoing, staff makes the following recommendations:

- Approve NLS's request to devote \$25,000 of its IOLTA funds to capital additions
- Approve NLS's request to deviate from the recommended 75 percent personnel/25 percent non-personnel allocations in its IOLTA budget by devoting 65.4 percent of funds to personnel
- Approve LASSB's request to deviate from the recommended 75 percent program/25 percent administration allocations in its IOLTA and EAF budgets by devoting 73 percent to programs and 27 percent to administration
- Approve MHAS's request to deviate from the recommended distribution of personnel expenses by devoting more than 40 percent of its EAF personnel budget to employee benefits over salaries
- Approve DAC's allocation of IOLTA and EAF funds to partially fund a social worker and supervising attorney
- Recommend approval of all remaining budgets not discussed above. Attachment C contains a complete list of grantees and their tentative IOLTA and EAF allocations for the Committee to recommend to the LSTFC for approval

ATTACHMENTS

- A. Legal Services Trust Fund Program Guidelines for Purchases of Real Property
- B. Legal Services Trust Fund Program Guidelines for Management of Tangible Personal Property
- C. List of all grantees recommended for budget approval and their proposed 2021 IOLTA and EAF grant amounts

³ HEART LA was tentatively allocated \$6,100 in IOLTA funds and \$5,440 in EAF funds for services in Los Angeles County. Those funds will be held in reserve and redistributed next year.

LEGAL SERVICES TRUST FUND PROGRAM

GUIDELINES FOR PURCHASES OF REAL PROPERTY

(Adopted by the State Bar Board of Governors, April 5, 1986)

PREAMBLE

The Commission recognizes that under certain conditions the purchase of real property can be an effective means to support continued high-quality civil legal representation of indigent persons. Funds disbursed pursuant to the Trust Fund Program, however, are to be used primarily as ongoing, operating funds and not as an endowment. Recipients contemplating using funds to purchase real property must demonstrate to the Commission that the proposed acquisition will enhance the operating ability of the Recipient. Real property purchased solely for investment purposes, regardless of the value of the investment, does not constitute an appropriate use of a Grant. Apart from its investment benefits, a real property purchase should provide some benefit to Program operations, such as reduced occupancy costs, consolidation or continuity of office locations, or access to a unique space otherwise unavailable.

I. Limitations on Use of Grant Funds to Purchase Real Property.

- A. An Expenditure (as defined below) of Grant Funds in a Grant Year for costs associated with the purchase of real property that exceeds annual fair market rental costs for property similar in size, location and improvements will be approved only if the Expenditure will allow a Recipient either:
 - 1. To obtain long-term occupancy costs that are less than fair market rental costs for property similar in size, location and improvements; or
 - 2. To obtain long-term occupancy costs that are less than fair market rental costs for property reasonably suited to Recipient's program, even if long-term occupancy costs are greater than fair market rental costs for property similar in size, location and improvements, if the Expenditure will allow the Recipient:
 - a. To consolidate office location or permit continued occupancy after expiration of a lease; or
 - b. To provide access to a unique space otherwise unavailable.

Even if one of the above factors (1) or (2) is present, the Commission may refuse to fund the proposed Expenditure if the Commission finds that the proposed Expenditure would not be in accordance with the Act.

- B. No Expenditure shall be approved for a purchase of real property if the purchase price exceeds fair market value for that property.
- C. No Expenditure shall be approved, even if in technical compliance with these Guidelines, if the Expenditure is designed or intended to evade the purpose of these Guidelines to ensure that all Grant Funds are used in accordance with the Act.
- D. These Guidelines shall not apply to Grant Funds that are being used for debt service or similar payments for real property (1) that the Recipient purchased or received as a gift

prior to November 22, 1985, or (2) the purchase of which was approved five or more years prior to the Grant Year for which the Grant Funds are to be allocated.

- E. These Guidelines shall not apply to Grant Funds used for costs associated with real property if the costs are being incurred in accordance with a Budget previously approved by the Commission.
 - F. The Commission may deny approval of Expenditures that would otherwise be permissible if the Commission finds that the Expenditure would conflict with the Act because of plans (1) to purchase real property jointly with or to lease real property to other persons or entities, or (2) to allow programs of the Recipient not qualified to receive Grant Funds to use the real property.
- II. "Expenditure" defined: An expenditure for costs associated with the purchase of real property, including but not limited to:
- A. Down payment;
 - B. Non-refundable deposits in excess of \$1,000;
 - C. Purchase option costs;
 - D. Architectural, engineering and permit expenses;
 - E. Construction and renovation costs (except, in the case of tenant improvements paid for by a Recipient, costs that will be repaid by tenants of the Recipient) that would be treated as capital costs in accordance with generally accepted accounting principles;
 - F. Purchase price payment;
 - G. Closing costs (including transfer taxes, title costs, loan origination fees, brokerage costs, finders' fees and escrow fees);
 - H. Payments made on leases, investment contracts, to purchase securities, etc., that would constitute a transfer of ownership under Article XIII A of the California Constitution or that would otherwise constitute a transfer of beneficial ownership under California law;
 - I. Debt service payments;
 - J. Purchases of membership shares in a real estate cooperative corporation;
 - K. Insurance payments in excess of insurance payments that would have been made if the Recipient were a lessee of the real property.

No expenditures will be considered to be associated with the purchase of real property, even if the expenditure is of a type described above, if the expenditure, aggregated with all other expenditures associated with the purchase of real property made in the Grant Year, does not exceed the lesser of \$5,000 or 5% of the Grant that the Recipient receives in that Grant Year.

- III. "Long-term occupancy costs" ordinarily shall be measured over a period of five years unless the Recipient shows good cause for selecting a different time period. The calculation of long-term occupancy costs shall include the actual interest or other costs incurred by the Recipient for any down payment or similar payment. If such payments are made with funds, including Grant Funds, available to the Recipient without cost, no interest, lost opportunity or other cost shall be imputed to calculate long-term occupancy costs.

- IV. Budget Approval Procedure: A Recipient may propose to make an Expenditure in the Recipient's initial proposed Budget or in any amended or supplemental Budget. A Recipient proposing to make an Expenditure must submit the following information in addition to any information required by the Budget Materials or the Guidelines:

A. Information pertaining to cost:

1. Preliminary title report, including legal description of property, dated within 90 days before the date of submission of the Proposed Budget.
2. Description of the current use and condition of the property, including size, location, rental income, utility costs, owner, tenants, and, if reasonably available, current financing arrangements and date and price of most recent previous sale.
3. Purchase terms, including copies of relevant purchase or option agreements and all collateral documentation available at the time of the submission.
4. Estimated fair market value of the property, including at least one written appraisal made by an appraiser with the qualifications described in (8), below. Copies of all appraisals of the real property to be purchased or of comparable property (whether for lease or sale) that are or have been available to the Recipient shall be submitted to the Commission staff.
5. Estimated cost of proposed improvements.
6. Estimated occupancy costs, including, but not limited to, actual interest costs for down payment (if any), debt service, taxes, utilities, insurance, maintenance and contributions for a reserve for extraordinary expenses (e.g., roof or boiler replacement). Economic assumptions, such as the interest rate (if the Recipient will be repaying a variable rate loan) or potential rental income (if the Recipient will be leasing a portion of the real property) shall be stated. Occupancy costs should be stated in absolute terms and per net rentable square foot, and should be estimated for five years after the anticipated closing date.
7. Estimated fair market rental costs of properties similar in size, location and improvements. Include estimated rent in absolute terms and per net rentable square foot, term of lease upon which estimate is based, and additional costs that lease would impose on tenant (e.g., taxes, maintenance, insurance). Estimates should cover the five year period after the anticipated closing date.
8. Identify and describe the qualifications of the experts upon whom the Recipient has relied to evaluate: fair market value; comparable property values in the purchase and lease market; the condition of the property proposed for purchase; and the cost of repairs and improvements. Identify any brokers or finders with whom the Recipient has consulted and (a) who will receive any consideration from the transaction or (b) who have a financial interest in the real property being purchased. At least one appraiser of market value of the property being purchased and of comparable market values shall be a member of the American Institute of Real Estate Appraisers or shall have had at least 5 years of continuous experience, immediately prior to the date of the appraisal, of appraising similar property within the same county as the property to be purchased, for savings banks, commercial banks or trust companies, insurance companies, savings and loan associations, or similar financial institutions that have a net worth of not less than \$20,000,000 or assets of not less than \$100,000,000.

9. Any other information that the Commission staff or the Recipient believes is relevant to determining the long-term occupancy costs of the property or fair market rental costs of similar property, or to ascertaining whether the proposed Expenditures will be in accordance with the Act.
- B. Information pertaining to shared ownership or use:
 1. Plans to share space with other programs of Recipient.
 2. Plans to share ownership or occupancy of the real property with other persons or entities.
 - C. Board comments:
 1. Those portions of the minutes of the meetings of the Recipient's Board of Directors that pertain to the Expenditure or the purchase of the real property.
 - D. Interested transactions:
 1. Any factor that would indicate that the Expenditure might entail an interested transaction as described in Section VI below. This disclosure should include de minimis interests, even if not prohibited by these Guidelines.
 2. Any relationship between the Recipient, any employee (as defined in Section VI below) or any seller of the real property and any agent, broker or similar representative of either the Recipient or the seller.
- V. Special Criteria. If projected five-year occupancy costs will not be less than fair market rental costs for real property similar in size, location and improvements, the Recipient shall submit the following information in addition to any other information required by these Guidelines:
- A. Suitability criteria:
 1. Description of planned use of the space and its suitability for current and anticipated future Recipient needs.
 - B. Time period to justify Expenditure:
 1. An estimate of the time period, if any, over which occupancy costs would be less than fair market rental costs for property similar in size, location and improvements, the bases of that estimate, and the factors supporting use of that time rather than 5 years as a reasonable period in which to evaluate the economic merits of the proposed purchase.
 - C. Other special factors:
 1. Any plan to use the purchased space to consolidate the Recipient's office sites.
 2. If purchasing space currently leased by the Recipient, evidence demonstrating the unavailability of a suitable renewal lease or reasons why purchase is preferable to lease renewal.
 3. Factors that make the property a unique space unavailable except through the proposed purchase.

VI. Interested Transactions Prohibited: A Recipient may not engage in an Interested Transaction.

A. The following transactions are considered Interested Transactions:

An Expenditure associated with the purchase of real property from, or the sale of real property acquired (in whole or in part) with Grant Funds to:

1. Any person who, within 24 months of the date of the Budget proposing the Expenditure or the date of the sale, as the case may be, was in any way compensated by the Recipient, in the aggregate in excess of \$5,000, as a staff member, temporary worker, consultant, subcontractor or other service provider, or who, within that 24 month period was a creditor of the Recipient for an amount in excess of \$5,000 or who is a member of the Family of any person described above;
2. Any member of the Recipient's governing board, any person who was a member of that board within 24 months of the date of Budget proposing the Expenditure or the date of the sale, as the case may be, or any member of the Family of any of those board members, unless the Recipient clearly demonstrates that the Expenditure or sale is in the best interests of Recipient's program of providing civil legal assistance to indigent persons.
3. An entity in which a person, whose involvement in the transaction would cause the transaction to be an Interested Transaction, has an ownership, equity or control interest, unless the Commission determines that the interest is de minimis.

B. "Family" members shall mean persons with the following relationships: issue or ancestors, siblings or their issue (including, in all of the previous categories, adopted persons), aunts or uncles or their issue, a spouse or the parents or siblings of a spouse.

VII. Security Interest and Related Issues: The Commission will not approve an expenditure for a Recipient to purchase real property unless the Recipient has made adequate provisions for ensuring that the proceeds from any transfer of any of the Recipient's interest in the real property will be used in accordance with the Act. The Commission also will not approve an Expenditure if the Commission reasonably finds that the Recipient is unlikely to be able to pay occupancy and ownership costs for the real property.

The "proceeds from any transfer of any of the Recipient's interest in the real property" shall include, but not be limited to, sale, insurance, liquidation, condemnation, lease or refinancing proceeds, but shall not include any proceeds in excess of the aggregate amount of Grant Funds actually spent by the Recipient as Expenditures for the real property being transferred.

To help the Commission determine whether an expenditure will be used in accordance with the Act, the Recipient must submit the following information:

A. Security interest. A memorandum of counsel to the Recipient explaining, in detail, the procedures that will be taken to ensure that the proceeds of any transfer of any of the Recipient's interest in the real property will be used as required by the Act and in accordance with these Guidelines. In most cases the Recipient will provide the State Bar with a deed of trust to the real property during the Amortization Period (as defined below) to secure these obligations. The Recipient and its counsel should be prepared to meet with the Commission staff and to supply the staff with supplemental information and agreements to satisfy the obligations to use Grant Funds properly. The Commission staff is hereby authorized, absent Commission directions to the contrary, at the Recipient's request to renegotiate, amend, or release any security documents, or subordinate any security

interest, on behalf of the State Bar to permit the Recipient to refinance, sell, or otherwise transfer any interest of the Recipient in the real property.

- B. Credit Evaluation. Copies of all credit reports on the Recipient or any co-venturer of the Recipient that are provided to any seller or financier of the real property or, if no such reports have been provided, then a copy of a credit report on the Recipient and any co-venturer in form reasonably satisfactory to the staff.

- VIII. Disposition: At the time of any approval by the Commission of an expenditure, the Commission shall designate an Amortization Period for the Expenditure. The Amortization Period ordinarily will be 5 years or the period of time over which aggregate occupancy costs for the purchased property no longer exceed aggregate occupancy costs for similar leased property. Special circumstances, however, may cause the Commission to select a different Amortization Period.

The proceeds of any transfer of any of the Recipient's interest in the real property that is made during the Amortization Period will be treated by the Recipient as if such proceeds were Grant Funds received by the Recipient in the year of the transfer, provided, however, that the Recipient may carry over unspent proceeds for use in any of the 4 Grant Years immediately following the year of the transfer and, as described in Section VII above, this restriction shall apply only to the amount of proceeds equal to the aggregate of all Grant Funds spent by the Recipient as Expenditures for the real property being transferred. Proceeds of such transfers occurring after the Amortization Period expires will not be considered Grant Funds.

LEGAL SERVICES TRUST FUND PROGRAM

Management of Tangible Personal Property

- I. Scope: These policies apply to tangible personal property that has:
 - a. A purchase price exceeding \$1,000 and a useful life of more than one year; or
 - b. An annual lease rate exceeding \$1,000 and a lease term of more than one year.

Tangible personal property satisfying either condition a. or b. above is referred to as "Tangible Personal Property" in these policies. These policies do not apply to tangible personal property that does not meet either the criteria set forth in a. or b. above.

The terms "acquire" or "acquisition" refer in these policies to purchases or leases with a term in excess of one year. The term "acquisition cost" refer in these policies to the total purchase price or the annual lease payments.

2. Acquisition Procedures: Recipients must adhere to the following procedures when purchasing or leasing Tangible Personal Property:
 - a. Tangible Personal Property with a per item acquisition cost of less than \$2,000 may be made by Recipient by any reasonable procedure;
 - b. Recipients should obtain telephone or written quotations before acquiring Tangible Personal Property with an acquisition cost between and including \$2,000 and \$5,000. A record of the quotations received should be filed with Recipient's financial records and should be available for audit purposes;
 - c. Recipients should prepare written solicitations for bids when acquiring Tangible Personal Property with an acquisition cost in excess of \$5,000. If feasible, Recipients should obtain at least three written quotations for the cost of the Tangible Personal Property to be acquired. If Recipient determines that special circumstances, such as compatibility with existing equipment or lack of dependable alternative vendors, require Recipient to acquire the Tangible Personal Property from a single source, Recipient need not solicit bids. Recipients should prepare and submit to the Director of the Legal Services Trust Fund Program (Director) an estimate of the useful life of the Tangible Personal Property, including the information used in making the estimate. All solicitation material and responses must be filed with Recipient's financial records and made available for audit

purposes. If written solicitations are not prepared, Recipient should record and make available in a similar manner, the reasons for not utilizing the written solicitation process.

As soon as Recipient plans to acquire Tangible Personal Property with an acquisition cost in excess of \$5,000 without bidding, Recipient should inform the Director of the planned acquisition and the reasons for not using the solicitation process;

- d. Recipient should maintain accurate documentation, such as purchase orders or vendor's invoices, of all acquisitions of Tangible Personal Property;
 - e. Prior to purchasing any item of Tangible Personal Property, Recipient shall prepare and submit to the State Bar of California (SBC) those documents the Trust Fund Commission has requested as part of the budget approval process to secure the SBC's interest in the Tangible Personal Property. The SBC will take reasonable measures to accommodate Recipients and other funding or financing sources when Recipient commingles Grant Funds with other financing sources to purchase items of Tangible Personal Property.
3. General Guidelines: Recipients must observe these general guidelines when acquiring Tangible Personal Property:
- a. The acquisition should be an efficient use of the Grant. The SBC recognizes that price is only one of the several factors that must be weighed when deciding from whom to acquire Tangible Personal Property. The requirements to obtain telephone or written bids do not mandate that Recipients patronize only the cheapest sources of Tangible Personal Property;
 - b. In acquisitions of Tangible Personal Property, no recipient shall discriminate against any vendor because of the race, creed, religion, color, national origin, or sex of such vendor. As used in this policy, "vendor" includes any person, firm, association, organization, partnership, business trust, corporation or company. Recipients are encouraged to seek out and use minority, women and small business vendors.
4. Inventory Control: Recipients must observe the following inventory control procedures:
- a. An inventory control tag should be attached to each item of Tangible Personal Property purchased with Grant Funds. These tags should be consecutively numbered and each number accounted for, unless

Recipient has a reasonable alternative numbering system;

- b. A record of each item of Tangible Personal Property must be filed with Recipient's financial records. This record should describe the Tangible Personal Property, its acquisition cost and date, the vendor from whom it was acquired and its date and method of disposition.
5. Disposal of Tangible Personal Property: The SBC retains a residual interest in any Tangible Personal Property no longer used by Recipients and in the proceeds from any disposition by Recipients of Tangible Personal Property. The Director should be informed when Tangible Personal Property has been disposed of. Recipients may dispose of surplus or unusable Tangible Personal Property by the following methods:
 - a. Recipients may transfer the Tangible Personal Property to another Recipient to be used to provide civil legal assistance to indigent persons in the same county for which the Recipient disposing of the property received the Grant to acquire the Tangible Personal Property. Recipients should obtain a transfer letter from the donee that describes the Tangible Personal Property. The donee Recipient will be bound to observe these policies as if donee Recipient acquired the Tangible Personal Property with Grant Funds.
 - b. Recipients may sell the Tangible Personal Property at fair market value. Recipients may use any reasonable method, including without limitation, advertising and sale to the highest bidder or sale price based on published industry price reports, to determine fair market value;
 - c. Tangible Personal Property that cannot be sold or donated may be destroyed or disposed of through a commercial disposal agency;
6. Sale Proceeds: Proceeds from the sale or disposition of Tangible Personal Property will be treated by Recipients as if such proceeds were Grant Funds. Recipients should account for receipt and use of such proceeds through separate line items on their Financial Statements;
7. Release of Secured Interest: The SBC will cooperate with Recipient to release any SBC secured interest against Tangible Personal Property. The SBC reserves the right to place reasonable restrictions on Recipients in connection with the SBC's agreement to release of any SBC interest.

Organization	Final IOLTA Grant Allocation	Final EAF Grant Allocation
1 Advancing Justice - Asian Law Caucus	\$ 227,680	\$ 203,020
2 Affordable Housing Advocates	\$ 8,830	\$ 7,870
3 Aids Legal Referral Panel	\$ 24,000	\$ 21,400
4 Alameda County Homeless Action Center	\$ 102,150	\$ 91,080
5 Alliance for Children's Rights	\$ 352,200	\$ 314,050
6 Asian Americans Advancing Justice - Los Angeles	\$ 530,860	\$ 473,350
7 Asian Pacific Islander Legal Outreach	\$ 68,670	\$ 61,230
8 Bay Area Legal Aid	\$ 361,420	\$ 322,260
9 Bet Tzedek Legal Services	\$ 694,910	\$ 619,620
10 California Advocates for Nursing Home Reform	\$ 160,543	\$ 143,149
11 California Indian Legal Services	\$ 185,985	\$ 163,562
12 California Rural Legal Assistance Foundation	\$ 160,543	\$ 143,149
13 California Rural Legal Assistance, Inc.	\$ 1,650,553	\$ 1,471,398
14 California Women's Law Center	\$ 160,543	\$ 143,149
15 Casa Cornelia Law Center	\$ 230,200	\$ 205,250
16 Center for Gender and Refugee Studies - California	\$ 160,543	\$ 143,149
17 Center for Human Rights and Constitutional Law	\$ 160,543	\$ 143,149
18 Central California Legal Services	\$ 949,270	\$ 846,420
19 Centro Legal de la Raza	\$ 195,800	\$ 174,590
20 Chapman University Family Protection Clinic	\$ 21,880	\$ 19,510
21 Child Care Law Center	\$ 160,543	\$ 143,149
22 Coalition of California Welfare Rights Organizations	\$ 160,543	\$ 143,149
23 Community Legal Aid SoCal	\$ 589,960	\$ 526,050
24 Community Legal Services in East Palo Alto	\$ 150,920	\$ 134,570
25 Contra Costa Senior Legal Services	\$ 23,080	\$ 20,580
26 Dependency Advocacy Center	\$ 65,890	\$ 58,750
27 Disability Rights California	\$ 2,323,926	\$ 2,037,673
28 Disability Rights Education and Defense Fund	\$ 160,543	\$ 143,149
29 Disability Rights Legal Center	\$ 205,093	\$ 173,891
30 East Bay Community Law Center	\$ 118,710	\$ 105,850
31 Elder Law & Advocacy	\$ 118,080	\$ 105,290
32 Eviction Defense Collaborative	\$ 25,650	\$ 22,870
33 Family Legal Assistance at CHOC Children's	\$ 15,789	\$ 13,778
34 Family Violence Appellate Project	\$ 160,543	\$ 143,149
35 Family Violence Law Center	\$ 17,130	\$ 15,280
36 Greater Bakersfield Legal Assistance	\$ 384,630	\$ 342,960
37 Harriett Buhai Center for Family Law	\$ 146,020	\$ 130,200
38 Housing and Economic Rights Advocates	\$ 46,793	\$ 39,354
39 Immigrant Legal Resource Center	\$ 160,543	\$ 143,149
40 Impact Fund	\$ 160,543	\$ 143,149
41 Inland Counties Legal Services	\$ 1,418,201	\$ 1,166,430
42 Inland Empire Latino Lawyers Association, Inc.	\$ 210,520	\$ 179,508
43 Inner City Law Center	\$ 476,130	\$ 424,540
Justice & Diversity Center of the Bar Association of San Francisco		
44	\$ 103,630	\$ 92,400
45 Justice in Aging	\$ 160,543	\$ 143,149
46 La Raza Centro Legal	\$ 32,720	\$ 29,170
47 LACBA Counsel for Justice	\$ 64,270	\$ 57,300
48 Law Foundation of Silicon Valley	\$ 217,200	\$ 193,660
49 Lawyers' Committee for Civil Rights	\$ 206,740	\$ 184,310
50 Learning Rights Law Center	\$ 117,345	\$ 102,100
51 Legal Access Alameda	\$ 40,820	\$ 36,390
52 Legal Aid at Work	\$ 360,723	\$ 308,473
53 Legal Aid Foundation of Los Angeles	\$ 901,630	\$ 803,940
54 Legal Aid Foundation of Santa Barbara County	\$ 76,080	\$ 67,840
55 Legal Aid of Marin	\$ 42,320	\$ 37,740
56 Legal Aid of Sonoma County	\$ 109,460	\$ 97,600
57 Legal Aid Society of San Bernardino	\$ 170,170	\$ 151,730
58 Legal Aid Society of San Diego	\$ 627,500	\$ 559,520
59 Legal Aid Society of San Mateo County	\$ 63,040	\$ 56,210
60 Legal Assistance for Seniors	\$ 20,260	\$ 18,070
61 Legal Assistance to the Elderly	\$ 15,300	\$ 13,650
62 Legal Services for Children	\$ 40,280	\$ 35,910
63 Legal Services for Prisoners with Children	\$ 160,543	\$ 143,149
64 Legal Services for Seniors	\$ 83,630	\$ 74,570
65 Legal Services of Northern California	\$ 948,770	\$ 846,000
66 Los Angeles Center for Law and Justice	\$ 95,390	\$ 85,060

67 McGeorge Community Legal Services	\$	93,250	\$	83,140
68 Mental Health Advocacy Services	\$	53,240	\$	47,470
69 National Center for Youth Law	\$	160,543	\$	143,149
70 National Health Law Program	\$	160,543	\$	143,149
71 National Housing Law Project	\$	160,543	\$	143,149
72 National Immigration Law Center	\$	160,543	\$	143,149
73 Neighborhood Legal Services	\$	728,090	\$	649,210
74 OneJustice	\$	160,543	\$	143,149
75 Prison Law Office	\$	358,147	\$	315,223
76 Public Advocates Inc.	\$	263,256	\$	230,794
77 Public Counsel	\$	944,390	\$	842,070
78 Public Interest Law Project	\$	160,543	\$	143,149
79 Public Law Center	\$	515,320	\$	459,480
80 Riverside Legal Aid	\$	168,480	\$	136,279
81 San Diego Volunteer Lawyer Program	\$	195,290	\$	174,140
82 San Joaquin College of Law	\$	45,820	\$	40,840
83 San Luis Obispo Legal Assistance Foundation	\$	24,740	\$	22,060
84 Santa Clara County Asian Law Alliance	\$	56,770	\$	50,620
85 Santa Clara University Alexander Law Center	\$	23,530	\$	20,980
86 Senior Adults Legal Assistance	\$	18,350	\$	16,360
87 Senior Advocacy Network	\$	38,560	\$	34,390
88 Senior Citizens Legal Services	\$	17,030	\$	15,180
89 Social Justice Collaborative	\$	43,070	\$	38,410
90 UC Davis School of Law Legal Clinics	\$	107,530	\$	95,870
91 UnCommon Law	\$	86,770	\$	77,350
92 USD School of Law Legal Clinics	\$	97,590	\$	87,020
93 Veterans Legal Institute	\$	63,440	\$	56,570
94 Voluntary Legal Services Program of Northern California	\$	109,830	\$	97,930
95 Wage Justice Center	\$	28,500	\$	25,410
96 Watsonville Law Center	\$	49,100	\$	43,780
97 Western Center on Law and Poverty	\$	160,543	\$	143,149
98 Worksafe, Inc.	\$	160,543	\$	143,149
99 Youth Law Center	\$	160,543	\$	143,149
100 Yuba-Sutter Legal Center for Seniors	\$	11,450	\$	10,200