



Date: November 4, 2021

To: Members, Legal Service Trust Fund Commission Eligibility & Budget Review Committee

From: Erica Carroll, Acting Program Supervisor

Subject: Review and Discuss Budget-Related Issues and Recommend Approval of 2022 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. As part of the grant administration process, the LSTFC reviews and approves budget proposals submitted by organizations found eligible for funding in the next grant cycle. In 2022 the State Bar will distribute approximately \$35.5 million in IOLTA funds and \$58.1 million in EAF funds.¹

After completing the IOLTA/EAF eligibility review process, the LSTFC approved 103 organizations for tentative award allocations on August 13, 2021. 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 20, 2021. 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 103 IOLTA/EAF-eligible organizations, 96 submitted budgets by the deadline; seven budget proposals arrived late.

The Eligibility and Budget Review Committee of the LSTFC will meet on November 4, 2021, 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 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. EAF was created by the State Budget Act, and 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 an identified set of activities with discrete deliverables and outcomes for evaluation purposes, as explained in the budget instructions for both types of grantees.

Once the State Bar releases 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, LSTFC approval, and circulation of grant agreements before the end of the year. This then allows for the timely execution of the grant agreements and first quarter disbursement of funds in January.

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 six years. There is a similar requirement that employee benefits amount to no more than 40 percent as compared to salaries. 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 2022 IOLTA/EAF grant allocations were due on Tuesday, September 21, 2021, 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.

Two-year EAF budgets

EAF funds in 2022 more than doubled from their 2021 levels. As a result, the LSTFC allowed organizations to budget EAF funds over two years instead of one if they so desired. Staff added a question to the budget proposal for organizations to explain their rationale for choosing a two-year budget. Approximately one third of organizations requested a two-year budget. Most cited the desire to retain flexibility while spending down other funds. Another frequent consideration was sustainability for the organization; large expansions and contractions in funding on one-year cycles can significantly impact organizations' ability to hire and retain staff and maintain consistent service levels. This is the first instance of offering a two-year option, and staff will continue to monitor whether to recommend this approach in similar future situations and/or report to the LSTFC on possible areas for improvement.

Expungement and infractions work

At least two budget proposals allocated IOLTA/EAF funds to expungement and infractions work. At the beginning of the budget review period, staff monitored these budgets for possible follow-up, as these services are currently characterized as "criminal proceedings," and IOLTA/EAF funds may not be used to support such programs. However, Governor Newsom signed SB 211 on October 8, which changed the Business and Professions Code statute to explicitly allow IOLTA/EAF funds to be used to provide these services. This change will go into effect in January 2022. Consequently, staff is not elevating any of the 2022 IOLTA/EAF budgets on this topic for committee review.

COMMITTEE AND LSTFC REVIEW

Staff completed review of all 103 budgets. The Discussion section highlights issues that require committee review. The committee will meet on November 4, 2021, 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 17, 2021, to vote on the committee's recommendations.

DISCUSSION

The following questions arose in one or more budget proposals and require committee review:

1. Tangible Property, Real Property Purchases, and Capital Additions and Improvements

Some organizations budgeted to purchase tangible personal property improvements (e.g. computers, phone systems) to meet changing office needs. 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 and certain capital additions and improvements in excess of \$5,000 or five percent of the grant award (whichever is less), require committee approval under the Guidelines for Purchases of Real Property.² (Attachment A.) For 2022, only one organization, Neighborhood Legal Services (NLS), allocated funds for any significant capital costs.

NLS, a Los Angeles County QLSP, budgeted \$10,000 in IOLTA funds (1 percent of allocation) and \$25,000 in EAF funds (1.5 percent of allocation) for capital additions. In the budget narratives for both IOLTA and EAF, NLS writes:

“NLSLA has budgeted [amount] in capital costs to be determined. Costs may include unanticipated capital software, equipment or furniture needs and/or may include capital building maintenance needs such as a new HVAC system or plumbing repairs. Costs would be proportionally allocated amongst fund sources that allow for Capital usage of funds.”

The Tangible Personal Property Guidelines would likely apply to some of the cited costs (e.g. equipment and furniture), but some may entail improvements where the Real Property Guidelines would apply (e.g. HVAC and plumbing). OA&I staff requested additional detail from NLS regarding how much they intend to spend on tangible property versus capital improvements. Staff also noted for NLS that non-personnel EAF expenses must be directly tied to EAF-funded activities.

NLS reported that the “capital budget is a reserve in case a capital purchase or repair/improvement is needed.” NLS confirmed that, if this need were to arise, they would allocate a proportional amount of EAF funding based on EAF activities.

Staff does not recall the committee addressing such a proposal previously, where the funds would be held in reserve rather than budgeted for an ongoing or specific planned project. Staff’s recommendation, absent further information, would be that NLS revise its budget to

² In the absence of other, more specific guidance, the same real property guidelines have been applied to significant capital additions and capital improvements.

allocate the funds to an item where the funds are needed, rather than holding them in reserve. Should a capital improvement become necessary, NLS could seek a budget revision and provide specific details to the committee justifying the use of the funds at that point.

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 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 Personnel/Non-Personnel Allocations

One organization, Los Angeles County Bar Association (LACBA), deviated from the recommended budget allocation of at least 75 percent to personnel in its budget proposal. LACBA allocated 68.5 percent of its EAF funds to personnel and 31.5 percent to non-personnel. The organization provided the following explanation regarding the deviation in its EAF budget:

“We use an outside attorney to coordinate pro bono activities, and allocated \$27,600 for her services, which decreased the salaries by 23 percent.”

In the IOLTA/EAF budget forms, “contract service to clients” falls under non-personnel. Staff recommends approval of the deviation, given that it will benefit LACBA’s clients.

b. Deviation from Recommended Salary/Benefits Percentages

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

“The IOLTA grant will provide critically needed support to allow MHAS to add a Staff Attorney who has been awarded a postgraduate fellowship by NYU Law School. Specifically, MHAS will

use the IOLTA grant to leverage the NYU Law Fellowship grant, which funds only a portion of the Staff Attorney's salary and none of the related costs. The NYU Fellowship provides no funds for the Staff Attorney's benefits or related non-personnel costs. The IOLTA grant will provide the support necessary to sustain the position in 2022 by covering the Fellow's benefits and a portion of the office rent expenses for the space that will be used by the Fellow."

MHAS had a similar explanation regarding its EAF budget last year, when the organization hired an Equal Justice Work fellow, and the deviation was approved by the committee. Staff recommends approval of the deviation from the typical allocations based on the explanation provided by MHAS.

3. Possible Non-Qualifying Activities

a. Social Work 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 typically elevates these proposals to the committee for review. One example from past years is whether activities of a staff social worker would qualify under "legal services" as they fall 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"). 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.

In recent years, in every instance where the social work activities had a clear nexus to the legal service performed, the committee and LSTFC have approved use of IOLTA/EAF funds for those activities. As a result, staff has treated this as the standing approach.

The budget proposals that included such activities have either been approved in prior years or appear substantially similar to those that have been approved. Staff recommends general approval of activities where staff confirms they meet the above criteria, rather than elevating each proposal individually. However, staff can provide more detail at the meeting should the committee wish to review these activities more closely.

b. Previously Approved Activities

Other than the social work examples above, other possible non-qualifying work identified by staff were ongoing activities from prior years' impact litigation and advocacy work (ILAW) reports and/or budget proposals that the committee previously reviewed individually and

approved. In the case of QLSPs, these are often projects featuring the same activities every year that may not entail direct services to individuals but rather target indigent persons generally or intend to have a systemic impact.

Staff relied on prior precedent when analyzing whether these activities should be considered qualifying. Rather than elevating individual activities, staff similarly recommends that the committee take these activities together and approve them as part of the proposed budgets if (1) the activities are the same or substantially similar to activities previously reviewed and approved by the committee, and (2) the justification provided by the grantee is supported by recent/current information.

Staff notes that the approach to these activities may change depending on the outcome of the codification process. Consequently, staff would also advise grantees planning to use IOLTA/EAF funds for these activities to remain mindful of the fact that approval is at the discretion of the committee and is not guaranteed to be found qualifying in the future.

4. Late Budget Proposals

OA&I prepared 103 tentative allocations and 96 organizations submitted their budgets by the deadline.

Seven organizations submitted their budgets late:

1. Casa Cornelia
2. Child Care Law Center
3. McGeorge Community Legal Services
4. Senior Advocacy Network
5. Social Justice Collaborative
6. Asian Pacific Islander Legal Outreach
7. La Raza Centro Legal

Budgets were due September 21 at 5:00 p.m., and staff contacted these organizations on September 22 after reviewing grant records for outstanding budget proposals. The first five organizations listed above submitted their proposals the same day they were notified. The remaining two, Asian Pacific Islander Legal Outreach and La Raza Centro Legal, submitted on September 23 and September 24 respectively.

Staff acknowledges that there may have been some confusion around budget application deadlines, as the application process for Homelessness Prevention funding was occurring at the same time. Additionally, in speaking with representatives of the organizations, some cited ongoing operational challenges with COVID and/or family emergencies. Nonetheless,

organizations were quick to respond to staff after the initial contact, and staff recommends accepting these organizations' proposed budgets for review and approval.

5. Approval of 2022 IOLTA/EAF Budget Proposals

After addressing the above questions, staff recommends that the committee recommend approval of all 103 budgets to the LSTFC (either as is, or as revised based on the committee's decisions at this meeting). Attachment C reflects the full list of organizations and their tentative IOLTA and EAF allocations.

CONCLUSION

Based on the above, staff recommends the following regarding 2022 IOLTA/EAF budget proposals:

- Review and decide the capital costs request from NLS after discussion
- Approve LACBA's request to deviate from the recommended 75 percent personnel/25 percent non-personnel allocations in its EAF budget by devoting 68.5 percent of funds to personnel
- Approve MHAS's request to deviate from the recommended distribution of personnel expenses by devoting more than 40 percent of its EAF employee compensation to employee benefits over salaries
- Approve staff's recommendation that social work activities tied to legal services and outcomes are considered qualifying work as part of 2022 IOLTA/EAF budget proposals
- Approve staff's recommendation that activities previously requiring review to determine whether the work was qualifying continue to be considered qualifying as part of 2022 IOLTA/EAF budget proposals if there is current information to support the ongoing activity
- Accept the seven late IOLTA/EAF budget applications for review and approval
- 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 2022 IOLTA and EAF grant amounts

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.

2022 IOLTA/EAF Grant Allocations

Number	Organization	Type	IOLTA Grant Amount	EAF Grant Amount
1	Advancing Justice - Asian Law Caucus	IOLTA LSP	\$ 386,030.00	\$ 632,530.00
2	Affordable Housing Advocates	IOLTA LSP	\$ 12,630.00	\$ 20,690.00
3	Aids Legal Referral Panel	IOLTA LSP	\$ 35,000.00	\$ 57,330.00
4	Alameda County Homeless Action Center	IOLTA LSP	\$ 157,490.00	\$ 258,050.00
5	Alliance for Children's Rights	IOLTA LSP	\$ 484,020.00	\$ 793,070.00
6	Asian Americans Advancing Justice - Los Angeles	IOLTA LSP	\$ 567,620.00	\$ 930,060.00
7	Asian Pacific Islander Legal Outreach	IOLTA LSP	\$ 102,880.00	\$ 168,540.00
8	Bay Area Legal Aid	IOLTA LSP	\$ 501,380.00	\$ 821,520.00
9	Bet Tzedek Legal Services	IOLTA LSP	\$ 1,025,130.00	\$ 1,679,700.00
10	California Advocates for Nursing Home Reform	IOLTA SC	\$ 241,963.00	\$ 396,459.00
11	California Indian Legal Services	IOLTA LSP	\$ 275,470.00	\$ 451,390.00
12	California Rural Legal Assistance Foundation	IOLTA SC	\$ 241,963.00	\$ 396,459.00
13	California Rural Legal Assistance, Inc.	IOLTA LSP	\$ 2,610,210.00	\$ 4,276,880.00
14	California Women's Law Center	IOLTA SC	\$ 241,963.00	\$ 396,459.00
15	Capital Pro Bono Inc.	IOLTA LSP	\$ 163,210.00	\$ 267,430.00
16	Casa Cornelia Law Center	IOLTA LSP	\$ 326,970.00	\$ 535,730.00
17	Center for Gender and Refugee Studies - California	IOLTA SC	\$ 241,963.00	\$ 396,459.00
18	Center for Human Rights and Constitutional Law	IOLTA SC	\$ 241,963.00	\$ 396,459.00
19	Central California Legal Services	IOLTA LSP	\$ 1,233,270.00	\$ 2,020,730.00
20	Centro Legal de la Raza	IOLTA LSP	\$ 219,000.00	\$ 358,830.00
21	Chapman University	IOLTA LSP	\$ 19,770.00	\$ 32,390.00
22	Child Care Law Center	IOLTA SC	\$ 241,963.00	\$ 396,459.00
23	Coalition of California Welfare Rights Organizations	IOLTA SC	\$ 241,963.00	\$ 396,459.00
24	Community Lawyers Inc.	IOLTA LSP	\$ 7,310.00	\$ 11,970.00
25	Community Legal Aid SoCal	IOLTA LSP	\$ 957,360.00	\$ 1,568,630.00
26	Community Legal Services in East Palo Alto	IOLTA LSP	\$ 234,230.00	\$ 383,760.00
27	Contra Costa Senior Legal Services	IOLTA LSP	\$ 38,110.00	\$ 62,450.00
28	Dependency Advocacy Center	IOLTA LSP	\$ 94,330.00	\$ 154,560.00
29	Disability Rights California	IOLTA LSP	\$ 3,363,340.00	\$ 5,510,890.00
30	Disability Rights Education and Defense Fund	IOLTA SC	\$ 241,963.00	\$ 396,459.00
31	Disability Rights Legal Center	IOLTA LSP	\$ 248,740.00	\$ 407,560.00
32	East Bay Community Law Center	IOLTA LSP	\$ 170,820.00	\$ 279,900.00
33	Elder Law & Advocacy	IOLTA LSP	\$ 169,070.00	\$ 277,020.00
34	Eviction Defense Collaborative	IOLTA LSP	\$ 51,490.00	\$ 84,360.00
35	Family Violence Appellate Project	IOLTA SC	\$ 241,963.00	\$ 396,459.00
36	Family Violence Law Center	IOLTA LSP	\$ 26,580.00	\$ 43,560.00
37	Greater Bakersfield Legal Assistance	IOLTA LSP	\$ 602,490.00	\$ 987,190.00
38	Harriett Buhai Center for Family Law	IOLTA LSP	\$ 193,690.00	\$ 317,370.00
39	Housing and Economic Rights Advocates	IOLTA LSP	\$ 122,320.00	\$ 200,440.00
40	IEP Collaborative, Inc.	IOLTA LSP	\$ 750.00	\$ 1,220.00
41	Immigrant Legal Resource Center	IOLTA SC	\$ 241,963.00	\$ 396,459.00
42	Impact Fund	IOLTA SC	\$ 241,963.00	\$ 396,459.00
43	Inland Counties Legal Services	IOLTA LSP	\$ 1,830,010.00	\$ 2,998,500.00
44	Inland Empire Latino Lawyers Association, Inc.	IOLTA LSP	\$ 67,990.00	\$ 111,400.00
45	Inner City Law Center	IOLTA LSP	\$ 786,860.00	\$ 1,289,290.00
46	Justice & Diversity Center of the Bar Association of San Francisco	IOLTA LSP	\$ 137,940.00	\$ 226,010.00
47	Justice in Aging	IOLTA SC	\$ 241,963.00	\$ 396,459.00
48	La Raza Centro Legal	IOLTA LSP	\$ 60,370.00	\$ 98,910.00
49	LACBA Counsel for Justice	IOLTA LSP	\$ 80,480.00	\$ 131,870.00
50	Law Foundation of Silicon Valley	IOLTA LSP	\$ 313,450.00	\$ 513,600.00
51	Lawyers' Committee for Civil Rights	IOLTA LSP	\$ 329,580.00	\$ 540,010.00
52	Learning Rights Law Center	IOLTA LSP	\$ 125,930.00	\$ 206,320.00
53	Legal Access Alameda	IOLTA LSP	\$ 42,310.00	\$ 69,330.00
54	Legal Aid at Work	IOLTA LSP	\$ 556,200.00	\$ 911,350.00
55	Legal Aid Foundation of Los Angeles	IOLTA LSP	\$ 1,579,240.00	\$ 2,587,610.00
56	Legal Aid Foundation of Santa Barbara County	IOLTA LSP	\$ 187,970.00	\$ 308,000.00
57	Legal Aid of Marin	IOLTA LSP	\$ 65,160.00	\$ 106,770.00
58	Legal Aid of Sonoma County	IOLTA LSP	\$ 176,260.00	\$ 288,800.00
59	Legal Aid Society of San Bernardino	IOLTA LSP	\$ 396,730.00	\$ 650,040.00
60	Legal Aid Society of San Diego	IOLTA LSP	\$ 949,120.00	\$ 1,555,140.00
61	Legal Aid Society of San Mateo County	IOLTA LSP	\$ 105,140.00	\$ 172,270.00

62	Legal Assistance for Seniors	IOLTA LSP	\$	37,120.00	\$	60,820.00
63	Legal Assistance to the Elderly	IOLTA LSP	\$	36,520.00	\$	59,840.00
64	Legal Services for Children	IOLTA LSP	\$	60,140.00	\$	98,520.00
65	Legal Services for Prisoners with Children	IOLTA SC	\$	241,963.00	\$	396,459.00
66	Legal Services for Seniors	IOLTA LSP	\$	135,170.00	\$	221,470.00
67	Legal Services of Northern California	IOLTA LSP	\$	1,450,780.00	\$	2,377,090.00
68	Los Angeles Center for Law and Justice	IOLTA LSP	\$	168,240.00	\$	275,660.00
69	Loyola Marymount University	IOLTA LSP	\$	271,480.00	\$	444,830.00
70	McGeorge Community Legal Services	IOLTA LSP	\$	108,350.00	\$	177,540.00
71	Mental Health Advocacy Services	IOLTA LSP	\$	107,290.00	\$	175,800.00
72	National Center for Youth Law	IOLTA SC	\$	241,963.00	\$	396,459.00
73	National Health Law Program	IOLTA SC	\$	241,963.00	\$	396,459.00
74	National Housing Law Project	IOLTA SC	\$	241,963.00	\$	396,459.00
75	National Immigration Law Center	IOLTA SC	\$	241,963.00	\$	396,459.00
76	Neighborhood Legal Services	IOLTA LSP	\$	991,100.00	\$	1,623,930.00
77	OneJustice	IOLTA SC	\$	241,963.00	\$	396,459.00
78	Open Door Legal	IOLTA LSP	\$	37,690.00	\$	61,760.00
79	Prison Law Office	IOLTA LSP	\$	316,320.00	\$	518,310.00
80	Public Advocates Inc.	IOLTA LSP	\$	391,100.00	\$	640,850.00
81	Public Counsel	IOLTA LSP	\$	1,345,330.00	\$	2,204,340.00
82	Public Interest Law Project	IOLTA SC	\$	241,963.00	\$	396,459.00
83	Public Law Center	IOLTA LSP	\$	740,060.00	\$	1,212,580.00
84	Riverside Legal Aid	IOLTA LSP	\$	293,660.00	\$	481,160.00
85	San Diego Volunteer Lawyer Program	IOLTA LSP	\$	312,260.00	\$	511,660.00
86	San Joaquin College of Law	IOLTA LSP	\$	36,930.00	\$	60,510.00
87	San Luis Obispo Legal Assistance Foundation	IOLTA LSP	\$	62,010.00	\$	101,610.00
88	Santa Clara County Asian Law Alliance	IOLTA LSP	\$	80,400.00	\$	131,730.00
89	Santa Clara University Alexander Law Center	IOLTA LSP	\$	35,760.00	\$	58,590.00
90	Senior Adults Legal Assistance	IOLTA LSP	\$	27,460.00	\$	44,990.00
91	Senior Advocacy Network	IOLTA LSP	\$	59,470.00	\$	97,440.00
92	Senior Citizens Legal Services	IOLTA LSP	\$	29,020.00	\$	47,550.00
93	Social Justice Collaborative	IOLTA LSP	\$	82,180.00	\$	134,680.00
94	UC Davis School of Law Legal Clinics	IOLTA LSP	\$	144,430.00	\$	236,660.00
95	UnCommon Law	IOLTA LSP	\$	212,160.00	\$	347,640.00
96	USD School of Law Legal Clinics	IOLTA LSP	\$	149,970.00	\$	245,730.00
97	Veterans Legal Institute	IOLTA LSP	\$	115,920.00	\$	189,930.00
98	Wage Justice Center	IOLTA LSP	\$	32,980.00	\$	54,040.00
99	Watsonville Law Center	IOLTA LSP	\$	80,020.00	\$	131,110.00
100	Western Center on Law and Poverty	IOLTA SC	\$	241,963.00	\$	396,459.00
101	Worksafe, Inc.	IOLTA SC	\$	241,963.00	\$	396,459.00
102	Youth Law Center	IOLTA SC	\$	241,963.00	\$	396,459.00
103	Yuba-Sutter Legal Center for Seniors	IOLTA LSP	\$	21,900.00	\$	35,890.00
Total			\$	35,487,856.00	\$	58,147,328.00