



The State Bar of California

OPEN SESSION AGENDA ITEM IV.A. JUNE 2022

DATE: June 10, 2022

TO: Members, California Board of Legal Specialization

FROM: Amy C. Nuñez, Director, Office of Admissions

SUBJECT: Report on Financial and Operational Key Indicators

EXECUTIVE SUMMARY

This agenda item reports on key financial and operational key indicators. These key indicators include the 2022 financial statements for the first quarter of 2022, ending on March 31, 2022, reporting on Legal Specialization program annual fees; the total number of certified specialists; the total number of resignations; and an update on the 2022 Group 1 Legal Specialist Continuing Legal Education (LSCLE) compliance.

BACKGROUND

The CBLS is provided with updates to key financial and operational indicators at each meeting to assist with program oversight.

DISCUSSION

YEAR-TO-DATE FINANCIAL REPORT

Legal Specialization Budget

The State Bar 2022 financial statements for Fiscal Quarter 1, ending on March 31, 2022, indicates that 2022 actual revenue is generally in line with projections made at the start of the budget year (see Attachment A). Currently, the Legal Specialization expenses stand at 78.9

percent under budget¹. However, staff anticipate incurring the costs for the Legal Specialist Examinations development and item banking system later in the year, which will bring the budgeted and actual budgets into closer alignment. Based on projected 2022 revenue compared to expenses, there is an expected overall \$184,158 positive change in current net position.

Legal Specialization Program Annual Fees

Annual billing for Fiscal Year 2022 began on December 1, 2021, and specialists had until February 1, 2022 to submit payment of the \$360 Legal Specialization Program Annual Fee. Since billing opened, staff have sent monthly email reminders to all specialists who had yet to remit their annual fees. All reminders are transmitted using the State Bar email service. Specialists who did not submit their program fees (as of February 11, 2022) have been assessed a \$75 late fee, in accordance with Rule 3.111 of the Rules of the State Bar. As of June 1, 2022, there were 45 specialists who have not yet remitted the 2022 Legal Specialization Program Annual Fee. Bankruptcy Law (1.28 percent) and Taxation Law (1.39 percent) have the highest percentage of specialists with an outstanding balance. All specialists in Admiralty & Maritime Law, Franchise & Distribution Law, Immigration & Nationality Law and Legal Malpractice Law have submitted their annual fees. The following table provides a breakdown of specialists who have not yet paid fees by specialty area.

| Specialty Area | # of Specialists Pending 2022 Annual Fee |
|--------------------------------------|---|
| Admiralty & Maritime Law | - |
| Appellate Law | 3 |
| Bankruptcy Law | 2 |
| Criminal Law | 4 |
| Estate Planning, Trust & Probate Law | 12 |
| Family Law | 9 |
| Franchise & Distribution Law | - |
| Immigration & Nationality Law | - |
| Legal Malpractice Law | - |
| Taxation Law | 4 |
| Workers' Compensation Law | 11 |

Staff continues to send monthly electronic reminders to all specialists who have not yet remitted their program fees.

TOTAL NUMBER OF CERTIFIED SPECIALISTS

As of June 1, 2022, there are 4,832 certified specialists, a decrease of 176 certified specialists as compared to June 1, 2021. Attachment B illustrates a breakdown of the current and prior year count of specialists by areas of specialization. Franchise & Distribution and Immigration &

¹ State Bar 2022 Adopted Final Budget, <https://www.calbar.ca.gov/Portals/0/documents/reports/2022-State-Bar-Adopted-Budget.pdf>

Nationality Law did not experience a change. The remaining nine areas all saw decreases, with Bankruptcy; Criminal; Estate Planning, Trust & Probate; Family; Taxation; and Workers' Compensation Law all seeing double-digit decreases, amounting to a decrease of 160 specialists between the six areas over the last year.

TOTAL NUMBER OF RESIGNATIONS BY REASON

There have been 104 resignations of certificates of specialization from January 1, 2022, through June 1, 2022, which is in line with the 149 resignations experienced for the entirety of 2021, and 137 in 2020 (Attachment C). Nearly half of the 2022 resignations are due to specialists retiring from the practice of law (42). Staff anticipate that this number will increase slightly through the end of the year.

LEGAL SPECIALIST CONTINUING LEGAL EDUCATION (LSCLE) COMPLIANCE REPORTING

2022 Group 1 LSCLE Compliance

Program rules require certified specialists to report 36 hours of LSCLE, due at the same time as their general Minimum Continuing Legal Education (MCLE) reporting requirements². For 2022, Compliance Group 1 reporting opened on December 1, 2021, and there were a total of 1,764 specialists (including dual specialists) who were due to report LSCLE compliance by February 1, 2022 (Attachment E). Since reporting opened, staff sent monthly email reminders using the State Bar email service to all specialists who had yet to submit their LSCLE compliance. Licensees who failed to report MCLE compliance by the February deadline were notified of noncompliance, assessed a \$75 late fee³, and were given until June 30, 2022 to report or else face suspension of their license. Specialists were separately notified that they had until June 30, 2022 to meet their LSCLE requirements to continue their certification. No financial penalty was imposed for late LSCLE compliance. As of June 1, 2022, there are 318 specialists (18.03 percent) in Compliance Group 1 still due to report 2022 LSCLE Compliance.

Staff will continue to send monthly electronic reminders to all Group 1 specialists who are due to report compliance.

ATTACHMENT(S) LIST

- A.** State Bar 2022 Operating Revenue, Operating Expenses, and Changes in Net Position (Non General Funds) for Three Months Ended March 31, 2022
- B.** Total Number of Certified Specialists as of June 1, 2022
- C.** Total Number of Resignations by Reason, 2020 and 2021 Annual v 2022 Year to Date

² State Bar Rule 3.114(A)(2) requires that, "certified specialists: at least thirty-six hours during the specialist's Minimum Continuing Legal Education (MCLE) compliance period. The specialist must report specialty education compliance to the State Bar when reporting MCLE compliance."

³ State Bar Schedule of Charges and Deadlines,

https://www.calbar.ca.gov/Portals/0/documents/rules/Rules_Appendix_A_Sched-Chgs-Deadlines.pdf

D. Total Number of Certified Specialists in Compliance Group 1