



The State Bar of California

OPEN SESSION

AGENDA ITEM

JUNE 2022

LEGAL SERVICES TRUST FUND COMMISSION V.C.

DATE: June 17, 2022

TO: Members, Legal Services Trust Fund Commission

FROM: Doan Nguyen, Program Director, Office of Access & Inclusion
Michael Cheng, Program Supervisor, Office of Access & Inclusion

SUBJECT: Approval of Interest on Lawyers' Trust Accounts (IOLTA) Grant Distribution for 2023

EXECUTIVE SUMMARY

Annually, the Legal Services Trust Fund Commission (Commission) recommends to the Board of Trustees the grant amount to be made available for distribution from proceeds from Interest on Lawyers' Trust Accounts (IOLTA) to qualified nonprofit legal aid organizations in California. Interest revenue generated by these accounts is the main source of funding for these grants, referred to as "IOLTA grants," but over the years these funds have been supplemented by Justice Gap Fund donations and optional contributions from State Bar licensees as part of their annual licensing fee payments.

After careful review of the revenue projections and consideration of the needs of low-income Californians and legal aid programs, staff recommends a calendar year 2023 grant distribution of \$47,792,157, which is a 34.7 percent increase over the 2022 grant distribution of \$35,487,856. This distribution amount would yield a projected reserve of \$22,953,724 at the end of the 2023 calendar year.

BACKGROUND

IOLTA STATUTE

In 1981 the Legislature authorized the IOLTA program under Business and Professions Code sections 6210-6228 (IOLTA Act). The purpose of the program was to increase access to justice and improve the administration of justice through expansion of legal services. In pursuit of those goals, the Legislature prioritized improving the quality of existing free legal services in civil matters to indigent persons and initiating new programs to provide such services.

The IOLTA Act requires lawyers to place nominal client funds, or funds that are on deposit for short periods of time, into interest- or dividend-bearing accounts in which the interest or dividend is paid to the State Bar.¹ Such accounts can only be kept at approved financial institutions certified by the State Bar to ensure compliance with the IOLTA Act.

The interest earned from pooled IOLTA accounts is remitted to the State Bar. The State Bar subtracts its costs in administering the program and then distributes the approved fund amount (based on the IOLTA statutory formula) to organizations that provide free civil legal aid in California to indigent persons,² or legal training, legal technical assistance, and advocacy support to the organizations that directly serve indigent persons. The Office of Access & Inclusion (OA&I) administers the grant program for the State Bar under the oversight of the Commission and Board of Trustees.

DISTRIBUTION OF IOLTA FUNDS

Each year, the Commission recommends for approval to the Board of Trustees the amount of IOLTA grants to be made available for distribution in the following calendar year. In 2021, Senate Bill 211 added section 6210.5 to the Business and Professions Code, effective January 1, 2022, providing the Commission with greater autonomy and policy-making power. While the Board previously had the discretion to adopt or reject many Commission recommendations (as it does for recommendations from other subentities), now, the Board must approve all recommendations from the Commission, including the IOLTA distribution, unless it “makes a finding in writing that a recommendation conflicts with a statutory, fiduciary, or legal obligation of the State Bar.”³

For many legal aid organizations, IOLTA funding provides their core support. Organizations have the flexibility to use these funds where they need it most; many other funders impose specific restrictions on funds (e.g. salaries only, but no benefits or no overhead costs; specific projects; etc.). Unlike foundation funding that may not be as consistent, IOLTA grants generally offer stability to grantees by supporting all aspects of their operational need to provide free civil legal

¹ If there is a large sum of money involved, or it will be held for a long time, and thus could yield meaningful interest, attorneys are instructed to hold the client's funds in an individual account, designated as a Client Trust Account, and the interest earned goes to the client.

² Per the IOLTA Act, an “indigent person” is an individual 1) whose income is not higher than 200 percent of the federal poverty threshold, or 2) eligible for Supplemental Security Income or free services under the Older Americans Act (seniors 60+) or Developmentally Disabled Assistance Act (Business & Professions Code section 6213(d)).

³ Business & Professions Code section 6210.5(e)(3).

services to the indigent. Moreover, once a grantee's eligibility is established, they are guaranteed funding for that year based upon a statutorily mandated formula.

In the first eight grant years (1984-1992) the Legal Services Trust Fund Program recommended to the Board distribution of the total money projected to be "on hand" as of the end of the prior year, less administrative costs during the same period. In other words, the program collected money for a year and then gave it out in the following year, such that 100 percent of the money for grants was "on hand" for distribution throughout the year. Financial institutions continued to remit interest earned, so the program always had on hand about one full year's revenue.

In 1992, in response to low interest rates and declining revenue, the then-Board of Governors adopted a cash-on-hand policy to hold only 75 percent of a year's cash on hand. Over the years, subsequent interest rate declines led to further reductions bringing the target range to 30 to 75 percent of the prior year's projected revenue.

IOLTA revenue remained flat between 2001 and 2004—approximately \$10 million—but showed a steady increase beginning with the 2005 grant year. In 2006, the Commission proposed, and the Board of Governors approved, a revision to the cash-on-hand policy described above (also known as the reserve policy, see Attachment A). The goal was to build reserve funds that could be distributed during lean years. Then, as now, the Board and the Commission recognized that the ability to rely on stable IOLTA funding is critical to the health and survival of legal aid organizations that receive IOLTA funding.

In applying the cash-on-hand policy over the past few years, a portion of increased receipts was held in reserve as a hedge against future declines in revenue. Under the policy, when revenue is higher than in the previous year, grants are increased incrementally while also increasing the reserve/cash on hand. The cash-on-hand policy applies the following methodology in years where revenue has increased from the previous year: ⁴

1. The previous year's grant distribution is established as the planned grant distribution base amount;
2. Increased revenue is used to increase grant distribution by 5 percent over the prior year's amount;
3. If additional funds remain, ten percent of the prior year's grant distribution is added to the reserve/cash on hand;⁵

⁴ Staff carefully reviewed the 2006 -2007 IOLTA Grants Distribution memo which outlined the formulaic approach for the current cash-on-hand policy and determined that the formula approach can only be applied during periods where the prior year projection is a net surplus (higher revenue than distributions and expended). Where revenue is projected to increase, but the prior year projection is higher distributions than revenue, the formula cannot be applied as it would result in a negative figure.

⁵ The 2006 memo states that ten percent of the prior year's revenue should be added to the reserve; however, the example included in the memo illustrating the application of the formula used ten percent of the grant distribution.

4. Any additional projected funds remaining are split equally, increasing both grant distribution and reserve/cash on hand, up to a reserve cap of 75 percent of the prior year's revenue.

This prudent planning to build a reserve proved essential during the Great Recession of 2008 as well as in the latest 2020 recession. In 2019, IOLTA interest revenue reached a record high of \$46.5 million. Then, due to the pandemic and a precipitous drop in interest rates beginning in March 2020, IOLTA revenue decreased to \$26.2 million for 2020, a reduction of \$12.8 million from original projections for 2020. Funds put aside because of the reserve policy (and additional revenue from sources such as voluntary donations through the Justice Gap Fund and attorney licensing fees) supplemented low IOLTA revenue and prevented the State Bar from having to reduce grants mid-year in 2020.

Unfortunately, the reserve policy does not provide a similar step-by-step formula for calculating the distribution amount when revenues are declining, rather than increasing, setting only the target that reserves remain between 30 and 75 percent of the prior year's projected revenue. The Rules Committee is currently working to update the reserve policy and hopes to provide more guidance for years of declining as well as increasing revenue. The goals for the new policy would continue the former goals of providing grantees more stability and minimizing large fluctuations in distribution amounts from year to year.

IOLTA Compliance, Recertification Efforts, and Leadership Bank Program

Financial institutions participating in the IOLTA program have three interest rate options for IOLTA accounts:

1. Comparable rates where financial institutions treat IOLTA accounts the same as similarly situated accounts by offering comparable interest rates;
2. Established Compliance Rate (ECR), which was set by the Commission in 2009 and required financial institutions to provide interest rates for IOLTA accounts at 68 percent of the Federal Funds target rate or at 0.68 percent, whichever is higher net of reasonable fees; or
3. Leadership Bank, which set interest rates at ECR or higher with a waiver of all charges and fees.

In the past several years, the State Bar has engaged in an intensive bank recertification and negotiation effort, which proved to be especially helpful during the pandemic when interest rates have remained low. Through March 2022, the State Bar received interest revenue from 166 banks offering IOLTA accounts. The recertification process confirms bank compliance with the IOLTA Act, provides an opportunity for staff to discuss rate options with the banks, and ensures that banks provide the agreed upon interest rates on IOLTA accounts.

The recertification process, coupled with rising interest rates prior to the pandemic, allowed for higher distributions in 2019 and 2020. In 2019, the State Bar distributed \$27.5 million in IOLTA grants, nearly double the amount distributed in the prior year. The \$55 million amount approved for distribution in 2020 was again double the prior year. However, in response to the federal funds rate dropping to near zero in March 2020, 12 financial institutions asked to be recertified at lower rates. Interest rates remained near zero until March 2022, when the Federal Reserve increased rates to 0.50 percent. As rates begin to climb again, staff is preparing to engage in another intensive bank certification and negotiation effort this year and next.

To develop a stable source of interest revenue and in recognition of banks' commitments to increase funding for legal aid, the State Bar established the Leadership Bank program in 2019. The State Bar's ongoing efforts to maintain enrollment in the Leadership Bank program has successfully mitigated some of the loss in IOLTA revenue that would have otherwise occurred over the past two years. For example, two of the three highest revenue- generating banks maintained interest rates at the Leadership Bank level throughout the pandemic and these three banks represent 66 percent of the monthly IOLTA revenue as of March 2022. Another important factor resulting in increased IOLTA revenue during the last year was an increase in IOLTA account balances.

Based on the interest rate option selected by each financial institution and the aggregate amount of assets in those accounts, IOLTA revenue for 2022 is projected at \$31.4 million if the commission adopts staff's recommendation (see next section for more information). For reference, the chart below illustrates the IOLTA grant distributions over the past 11 years.

Year	Total IOLTA Revenue (including Justice Gap donations)	Percent Change Over Prior Year	IOLTA Grant Distribution (in millions)	Percent Change over Prior Year
2022	31.4 (Projected)	0.2% (Projected)	\$35.5	47.9%
2021	31.3	(13.8%)	\$24	(56.6%)
2020	36.3	(34.1%)	\$55.3	101.1%
2019	55.1	92%	\$27.5	99.3%
2018	28.7	84%	\$13.8	25.5%
2017	15.6	10.6%	\$11	(.9%)
2016	14.1	4.4%	\$11.1	9.9%
2015	13.5	20.5%	\$10.1	110.4%
2014	11.2	(0.9%)	\$4.8	(50%)
2013	11.3	(9.6%)	\$9.6	(10.3%)
2012	12.5	45.3%	\$10.7	(10.1%)

CHANGES TO THE FEDERAL FUNDS RATE AND ONGOING FUNDING CHALLENGES

Through most of 2019, the Federal Funds Rate (FFR) was 2.5 percent, the highest it had been in over 10 years. In March 2020, the FFR fell precipitously to 0.25 percent in an attempt to offset

the dramatic impact of COVID-19 on the economy.⁶ The FFR remained at 0.25 percent until recently.⁷

In the first quarter of 2022, increased economic rebound from pandemic levels coupled with the Russian invasion of Ukraine created additional inflationary pressure. To combat rising inflation, the Federal Reserve raised interest rates to 0.50 percent on March 16, 2022 and raised rates an additional 0.50 percent to a target rate of one percent on May 4, 2022. The Federal Reserve has five remaining meetings scheduled for 2022 (June, July, September, November, and December), and it is anticipated that interest rates will increase several more times during that period, with the FFR potentially rising to 2.50 percent by December 2022. An increase of the FFR to 2.50 percent would lead to an increase in the ECR for IOLTA banks from the current level of 0.68 percent to 1.70 percent, which will impact Leadership Banks and other banks paying ECR. However, even with an increasing rate environment, IOLTA revenue may not increase dramatically in 2022 due to other market conditions. Additionally, there is concern that with rising interest rates, Leadership Bank participation may decrease as banks seek to recertify at lower rate amounts.

DISCUSSION

RECOMMENDED 2023 IOLTA DISTRIBUTION AND TARGET RESERVE

Staff proposes that the Commission recommend a 2023 grant distribution of \$47,792,157. This will result in a projected reserve of \$22,953,724 at the end of 2023, which is 73 percent of the prior year's (2022) revenue and 48 percent of the 2023 grant distribution.

Forecasting IOLTA Revenue

To aid the Commission in its decision, staff has prepared three different revenue projections for 2022 and 2023: (1) aggressive; (2) moderate; and (3) conservative. (Attachment C). All three projections assume that the FFR will increase in the summer of 2022 (with ECR rising in July 2022 to 1.02 percent). However, based on historical IOLTA bank activity during the last significant change of the FFR (where banks opted out of ECR and Leadership participation due to rate drops), all three projections anticipate a decline in Leadership Bank participation. More specifically, staff projects that there will be a reduction in the number of banks willing to pay interest at the ECR or Leadership Bank level, and thus projects that the total amounts on deposit in banks that pay interest at the ECR or Leadership Bank level will decrease from the current \$2.7 billion to \$2 billion in the aggressive, \$1.7 billion in the moderate, and \$1.47 billion in the conservative projections. There is also excess liquidity in banks' balances which will result in a lag in revenue increases.

⁶ The FFR represents a target range of interest rates, in this case zero to 0.25 percent. When negotiating with financial institutions, the industry standard is to use the higher end of the range as the target.

⁷ In the case of the recession starting in 2008, interest rates did not increase for seven years—until December 2015—and then the increase was gradual.

The projections are based on actual interest revenue earned through March 2022 and anticipated revenue for the remainder of 2022 and all of 2023. It is anticipated that interest rates will rise to 2.00 percent by the end of the summer and potentially 2.50 or 2.75 percent by the year end. However, our projections also assume a reduction in participation at the ECR and Leadership Bank level.⁸ In addition, all three projections assume that the interest rates will remain at their high point for the entirety of 2023.

The aggressive scenario projects 2022 IOLTA interest revenue of \$25.2 million and total revenue of \$33.8 million. The aggressive scenario projects 2023 IOLTA interest revenue of \$43.9 million and total revenue of \$51.5 million. In this scenario the interest rate for ECR and Leadership banks rises to 1.87 percent in 2023. Staff also projects a 25 percent reduction in revenue being remitted at the ECR and Leadership Bank level. Based on revenue collected in previous years, staff projects \$6.15 million from voluntary donations from attorney licensing fees and \$1.44 million from Justice Gap Fund donations in both 2022 and 2023.

The moderate scenario projects 2022 IOLTA interest revenue of \$22.8 million and total revenue of \$31.4 million, which is nearly identical to 2021 levels. For 2023, this scenario projects \$35.8 million in IOLTA interest revenue and \$43.4 million in total revenue. In this scenario, interest rates for ECR and Leadership Banks rise to 1.70 percent at the end of 2022 and there is no further increase in 2023. Staff also projects a 35 percent reduction in revenue being remitted at the ECR and Leadership Bank level. In addition, this scenario uses the same projections of \$6.15 million from licensing fees and \$1.44 million from Justice Gap Fund donations.

The conservative scenario projects 2022 IOLTA interest revenue of \$20.4 million and total revenue of \$28.4 million. For 2023, this scenario projects IOLTA interest revenue of \$31.2 million and total revenue of \$38 million. Staff also projects that interest rates for ECR and Leadership Banks will rise to 1.70 percent at the end of 2022 and there is no further increase in 2023. However, it is different than the moderate projection because it incorporates a steeper 45 percent reduction in revenue being remitted at the ECR and Leadership Bank levels. In contrast to the two scenarios above, staff projects a slight decrease to approximately \$5.98 million for voluntary donations from fee statements and \$990 thousand for Justice Gap Fund, which reflects actual revenue collected to date and assumes no additional donations for the remainder of the year.

Based on the current revenue trends and analysis of market conditions, staff recommends the Commission adopt a moderate approach, which projects total revenue of \$31.4 million for 2022 and total revenue of \$43.4 million for 2023. Staff's recommendation also incorporates cash flow considerations while noting that if cash-on-hand from remitted revenue is insufficient to cover the projected grant distribution, the State Bar has no obligation to fund the grants beyond the revenue received. However, the Commission recognizes that it would be an immense hardship to grantees were the State Bar to be unable to meet grant obligations. For this reason, staff strongly encourages the Commission to adopt a moderate approach along with the net reserve amount of \$22,953,724 at the end of 2023. The net reserve amount also

⁸ Currently, 76 percent of the aggregate assets in IOLTA certified banks resides with ECR or Leadership Banks.

represents 32 percent of the funds (\$70.7 million) projected to be available to distribute in 2023 and 48 percent of the recommended 2023 grant distribution.

Recommended 2023 IOLTA Distribution and Projected Reserve

As noted in the Background section, above, the reserve policy describes a four-step formula for determining the distribution in years of increasing net revenue. Since IOLTA revenue projections in 2022 are less than the recommended grant amount in all three staff projections (aggressive, moderate, and conservative), application of the target reserve of 30 to 75 percent of the prior year's revenue applies.

The larger the reserve as a percentage of the prior year's revenue, the less funds available for distribution. Establishing a larger reserve could allow for more stable funding in subsequent years in the event revenue declines, but it would reduce the total funds available for distribution now, during a time when programs have reported increased demand for services. In contrast, a smaller reserve reflects a decision to distribute more funds currently. It maximizes the available funding but may leave grantees in a more difficult position in succeeding years interest rates level off at less than the current projections or begin to decline.

As noted previously, the Rules Committee is currently revising the reserve policy to provide more guidance on how to determine the IOLTA distribution in years of decreasing as well as increasing revenue. That working group is considering a proposal to calculate the reserve amount by taking a 10-year rolling average of IOLTA distributions. Having this amount in reserves will ensure a baseline distribution level programs can rely on from year-to-year. While this approach will not eliminate large fluctuations in the market, it will smooth out peaks and lows for IOLTA disbursements, which will also provide stability in funding to grantees and sufficient cash-on-hand for cash flow purposes.

The Commission and staff have used the term reserve and cash-on-hand policy interchangeable; however, the Rules Committee Working Group believes that they are separate concepts and seeks to incorporate both in the revised policy. Due to the delayed collection of interest in arrears from 49 percent of banks, there must be a minimum of approximately two quarter payments at the end of each calendar year in order to have enough "cash-on-hand" to ensure timely quarterly payments to grantees. The reserve amount will be in addition to the cash-on-hand amount and is meant to provide stable funding by softening large fluctuations in grant distribution from year-to-year. The 10-year rolling average of IOLTA distributions is meant to address the cash-on-hand issue as well provide sufficient reserves.

If the Commission adopts the approached outlined above by the Rules Committee Working Group for the 2023 distribution, the reserve/cash-on-hand amount ending in 2023 will be \$22,953,724, which is the average of the last 10 years of IOLTA disbursements from 2012 to 2022 (excluding 2014 as it was a shortened six-month distribution period) and includes \$2.1 million for administrative expenses. Applying the 10-year approach for reserves coupled with moderate revenue projections for 2022 and 2023 will yield a 2023 IOLTA distribution of

\$47,792,157, which is a 73 percent reserve amount.⁹ This reserve percentage is consistent with the current reserve policy which provides a target of 30 to 75 percent of the prior year's revenue. While the current reserve policy sets the reserve percentage against the prior year's revenue, the Working Group as well as staff believe that the more appropriate comparison is measuring the reserve percentage against the grant distribution, which for 2023 would yield the reserve amount as 43 percent of the 2023 grant distribution. More importantly, a \$47,792,157 distribution is still a significant increase of 35 percent over the 2022 grant distribution of \$35,487,856 and would stand to be the second largest IOLTA distribution since the inception of the IOLTA program. If the Commission wishes to establish a smaller or larger reserve amount, the distribution will increase or decrease by the same amount that the reserve increases or decreases.

Additional Funding to Legal Aid

On June 1, 2022, the California Assembly and Senate released a summary of the "Legislative Version of the 2022-23 State Budget, representing an agreement between the leaders and budget committee chairs of the Assembly and Senate." This budget document includes an additional \$30 million for homelessness prevention funding (for 2022-2023) and another \$15 million for consumer debt legal assistance (anticipated to be available for distribution over the next three years); these funds will be distributed by the Commission to IOLTA grantees. In addition, the budget proposes funding a \$55 million statewide loan repayment assistance program (LRAP) for five years for legal aid attorneys employed by IOLTA grant recipients. The LRAP program will be administered by the Student Aid Commission. At this time, there is no general increase in the base funding for Equal Access Funds (EAF). The budget is not finalized until the Governor signs it, which typically occurs in late June; staff will provide an oral update at the Commission's June 17 meeting if there are other developments.

Recommendation to the Board of Trustees

In summary, staff recommends a calendar year 2023 IOLTA distribution of \$47,792,157, leaving a projected reserve of \$22,953,724 at the end of 2023. At a time when the need for free legal services is more critical than ever, this sizable increase from 2022 will enable grantees to increase services and help more indigent Californians. Moreover, the reserve will provide grantees with some funding stability beyond 2023 and into 2024, which will encourage grantees to adopt long-term strategies for recruitment and retention as well as expanded services. The Board of Trustees will meet on July 21 and 22, 2022 to consider the Commission's recommendation, and the Board must approve the Commission's recommendation unless it makes a finding in writing that the recommendation conflicts with a statutory, fiduciary, or legal obligation of the State Bar.

FISCAL/PERSONNEL IMPACT

⁹ Based on the 2023 ending reserve (\$22,953,724), and the 2022 projected total revenue (\$31,390,000).

Administration of the IOLTA program is fully funded through IOLTA revenue. The recommended distribution is net of the \$2.1 million projected cost to administer the program; the actual amount distributed to grantees in 2023 will be the same as the distribution amount stated herein. Should staff determine that the amount is insufficient to cover the share of staff salaries and other expenses necessary to administer this program, staff will return to the Commission and Board to request approval to allocate additional amounts from the cash on hand. This recommendation does not affect the general fund budget. No additional staff or other expenses will be incurred as a result of this recommendation.

RECOMMENDATIONS

RESOLVED, that the Legal Services Trust Fund Commission recommends that the Board of Trustees approve the 2023 IOLTA distribution in the amount of \$47,792,157, with a projected reserve of \$22,953,724 at the end of 2023.

ATTACHMENT(S) LIST

- A.** State Bar 2006 Cash-On-Hand Policy/Reserve Policy
- B.** Distribution Spreadsheet of Revenue and Expenses Since 2008
- C.** IOLTA 2021 Revenue Projections vs. Actual Detail
- D.** IOLTA 2022 - 2023 Revenue Projections and Grant Distribution Detail
- E.** History of Legal Aid Grants

AGENDA ITEM

MARCH 54-166

Legal Services Trust Fund Program:
Set Amount for Distribution for
2006-2007 IOLTA Grants

BCSR

03/17/06

Open / Action
Item III.B.

DATE: February 28, 2006

TO: Members of the Board of Committee on Stakeholder Relations
Members of the Board of Governors

FROM: Judy Garlow, Director, Legal Services Trust Fund Program

SUBJECT: Legal Services Trust Fund Program:
Set Amount for Distribution for 2006-2007 IOLTA Grants

Executive Summary

Each year, the Board of Governors sets an amount for distribution in Legal Services Trust Fund Program grants from interest on lawyer trust accounts ("IOLTA"). Since 1992, the method for setting the amount has been to allocate for the grants the amount of prior year revenue less administrative costs, adjusted by an amount by which cash on hand as of June 30 is projected to be more or less than a specific percent of the prior year's net revenue. Most recently, this cash-on-hand target has been 30 percent. After consultation with the Legal Aid Association of California, the Legal Services Trust Fund Commission is recommending adjusting this target for this year upward to approximately 50 percent, so as to take advantage of increased IOLTA revenue to put us in a position to cushion the effects of lower interests rates as needed in the future. Using this system will result in 2006-2007 grants of \$12.7 million, up about 6 percent from the \$12 million distributed in the 2005-2006 grant year.

BACKGROUND

The Board of Governors each year sets an amount for distribution in IOLTA grants to be administered by the Legal Services Trust Fund Program. That amount is distributed for the grant year beginning July 1. The amount is set in March or April, depending on the board meeting schedule, so that the Trust Fund Commission can notify each recipient program of a grant amount, give them 30 days to prepare proposed budgets, review the budgets and still get grant agreements signed and the checks mailed in July.

For each of the first eight grant periods (fiscal years 1984-1985 through 1991-1992), the amount approved for distribution was the total money projected to be on hand June 30. This amounted to the total revenue of the program in the year preceding the grant period, less administrative costs during the same period. In other words, the program collected money for a year and then gave it out in the following year.

At the beginning of the grant year, 100 percent of the money for grants was on hand. Grants were disbursed in quarterly payments. At the same time, money came in that would become the next year's grants, so the program always had on hand about one full year's revenue.

In 1992, the Board of Governors changed that system on the recommendation of the Legal Aid Association of California and the Trust Fund Commission. We moved away from a system where grants were made up only of money already in hand, and to a system of paying part of the grant out of income as it came in. The motivation for this change was the view that the program did not need to keep such a large amount of cash on hand, especially in times of low interest rates and correspondingly lower revenue.

The basic distribution method remained, as before, to allocate for grants the amount of prior year revenue less administrative costs. To determine the amount for distribution, this net prior year revenue amount was adjusted by the amount by which cash on hand as of June 30 was projected to be more or less than a set percentage of the prior year's revenue amount. When the original change was made in 1992, interest rates had begun to drop and the target was set at 75 percent, in order to increase grants by 6 percent over the previous year even though revenue was down about 7 percent. Subsequently, interest rates fell dramatically. The cash-on-hand target was reduced to 60 percent and then to 30 percent, where it has remained for the last 12 grant years.

In years when revenue is increasing, the money coming in exceeds the grant amount going out, and cash on hand builds up above 30 percent. That "extra" amount is added onto the grants for the next year, resulting in a larger increase. In years when revenue is decreasing, the money coming in is less than the grant amount going out, and cash on hand drops below 30 percent. We make up for that by holding back money to increase the cash on hand for the next year, resulting in a greater decrease in grants.

This system has had the desired effect of putting the money in the hands of grant recipients quickly, and has minimized the amount of the program's cash on hand. Because of the swings in interest rates in the last several years, however, it has also meant there were somewhat unpredictable swings in the amount of grants from year to year. As just one example, the total grant amount went up 22 percent in 2001 and then back down 38 percent the following year. Although the grants on average represent a small share of each recipient's total income, in many cases, the ups and downs have been significant. In a time of increasing revenue, the Trust Fund Commission decided to explore whether there might be a better approach.

PROPOSED CHANGE

The Commission has now discussed its proposed change with the Legal Aid Association of California, which consulted with all of the recipients of Trust Fund Program grants. LAAC came back to the Commission in support of the proposal, with a few relatively small suggestions that the Commission has incorporated into this recommendation.

The proposal is to increase cash on hand above 30 percent with the goal of decreasing the fluctuation in grants caused by sizable increases and decreases in interest rates. In years of increasing revenue, grants would be held to a smaller increase than is currently provided for, so as to increase cash on hand. Then in years of decreasing revenue, the cash on hand will be spent down again, to keep grants larger than they would otherwise have been.

The recommendation of the Commission and the legal services community involves a three-step calculation for years in which income is increasing:

- The amount for distribution will be allowed to increase by 5 percent before increasing cash on hand above the current 30 percent. For 2006-2007, this means an increase from \$12 million to \$12.7 million in total grants.
- The funds that would represent the next 10 percent increase—in this case, \$1.2 million—will go to increasing the cash on hand.
- In years when revenue increases more than that, the additional amount will be divided equally between increased grants and increased cash on hand, up to a cap of 75 percent of the previous year's available funds. For this year, there is \$229,520 to be shared equally between grants and increased cash on hand.

Two elements of this change will required ongoing discussion between the Legal Services Trust Fund Commission and the Legal Aid Association, to arrive at further recommendations as needed by this time next year. The first of these two elements is the system for distributing the funds held back when we come upon years of declining income. It is much more difficult to come up with an automatic formula for that. It is likely that a policy will be developed after consultation with the Legal Aid Association.

A second issue for ongoing discussion is the cap on the amount held back to increase cash on hand. LAAC suggested limiting the cash on hand to a specific target, in the range of 50 to 75 percent. The Trust Fund Commission has agreed to a 75 percent cap, and also agreed to discuss whether it should be smaller (or larger) than that. The amount for this year will be 53 percent. Between now and the next time the board goes through this process, a year from now, we can explore the most effective cap. This is a decision that must in any case be made annually, based on the particular income in that year.

CURRENT AND PROJECT REVENUE AND CASH ON HAND

Using this revised system for determining the grant amount will result in setting the grant amount for 2006-2007 at \$12.7 million. This grant amount is larger than the 2005-2006 distribution, due primarily to increased income from substantial increases in the balance on deposit in attorney-client trust accounts and also to small increases in the interest rates on checking accounts.

We currently expect net IOLTA revenue (income less expenses) for the period July 1, 2005 through June 30, 2006 to be \$14 million. At this income level, the program expects to have on hand as of June 30, 2006 about \$7.5 million, which is 53 percent of last year's net revenue. To calculate the grant amount for the coming year, we have added to last year's grant amount a 5 percent increase, plus half of the amount by which net revenue is greater than 15 percent of last year's grants.

RECOMMENDATION

The attached schedule shows the calculation, based on actual experience to date and projections through the rest of the grant year.

Because money will continue to be disbursed as it is received, the Trust Fund Commission will continue to monitor revenue closely and will return with recommendations if there are significant variances from the projections. The agreements signed with grant recipients will continue to include language to make clear that payment of these grants is contingent upon the Legal Services Trust Fund Program having sufficient money on hand from IOLTA revenue to make the scheduled payments. In addition, the Trust Fund Commission will meet with LAAC over the coming months to evaluate the effectiveness of the procedures used this year and what changes should be made for the future.

BOARD BOOK/ADMINISTRATIVE MANUAL IMPACT: None.

PROPOSED RESOLUTION

The Board Committee on Stakeholder Relations will have a recommendation at the time of your meeting. If you agree with this proposal, the following resolution would be appropriate:

RESOLVED, upon recommendation of the Board Committee on Stakeholder Relations, that the Board hereby approves that the distribution of IOLTA grants from the Legal Services Trust Fund Program for the grant period July 1, 2006 through June 30, 2007 shall be made in the order and manner provided by Business and Professions Code Section 6216, and the funds to be distributed shall be \$12,720,721 calculated as follows

- (1) The amount projected to be received by the Legal Services Trust Fund Program and the interest earned thereon from July 1, 2005 through June 30, 2006, totaling \$15,256,329, shall be allocated for the grant period July 1, 2006 through June 30, 2007.
- (2) The administrative costs to be deducted prior to distribution shall be the costs projected for the period July 1, 2005 through June 30, 2006, totaling \$1,220,280.
- (3) To be subtracted from the total amount prior to distribution shall be \$1,200,568, 10 percent of prior year net revenue reserved for cash on hand.
- (4) Also to be subtracted from the total amount prior to distribution shall be \$114,760, one-half of the amount over 15 percent of prior year net revenue reserved for cash on hand, and it is

FURTHER RESOLVED that grant payments are to be made from funds received pursuant to Business and Professions Code Section 6212 and the income earned from investment of such funds, and that payment of grants is contingent upon the State Bar having sufficient money on hand from such sources to make the scheduled payments; and it is

FURTHER RESOLVED that the Legal Services Trust Fund Commission is directed to monitor program revenue during the grant year and to recommend action to change the total grant amount for the year if needed in the event of significant variances from projections.

STATE BAR OF CALIFORNIA
Legal Services Trust Fund Distribution
Available Funds for Grant Period 2006-2007

DATE: FEBRUARY 21, 2006		<u>AMOUNT</u>
A. <u>Revenue: 7/1/05 – 6/30/06</u>		
2005:	3rd Quarter	\$ 3,726,984
	4th Quarter	3,679,345
2006:	1st Quarter (Projected)	3,900,000
	2nd Quarter (Projected)	<u>3,950,000</u>
Total Revenue		\$ 15,256,329
B. <u>Administrative Costs: 7/1/05 – 6/30/06</u>		
7/1/05 – 12/31/05		\$ 734,972
1/1/06 – 6/30/06 (Budgeted)		815,308
Less Projected Equal Access Fund Reimbursements		<u>(330,000)</u>
Total Administrative Costs		\$ 1,220,280
C. <u>Cash-on-Hand Calculation</u>		
Cash on Hand 6/30/05		\$ 5,547,400
Add: Net Revenue 7/1/05 – 6/30/06		14,036,049
Less: 2005-2006 Grants (Net of amounts from past years redistributed)		<u>(12,005,677)</u>
Projected Cash on Hand – 6/30/06 (53 percent of prior year net revenue)		\$ 7,577,772
<u>Grant Amount Calculation</u>		
2005-2006 Net Revenue		\$ 14,036,049
Less 10 percent reserved for cash on hand		(1,200,568)
Less one-half of amount over 15 percent reserved for cash on hand		\$ <u>(114,760)</u>
Total Grant Amount for 2006-2007		\$ 12,720,721
Prior Year Distribution (2005-2006)		\$ 12,005,677
Percent Increase from Prior Year Distribution		6%

ATTACHMENT

Selection Guidelines for State Bar Appointments to the ABA House of Delegates

The State Bar will strive to appoint members from its applicant pool meeting the following guidelines:

- One (1) delegate who qualifies as the young lawyer representative;
- Up to two (2) delegates to include the most immediate past member of the ABA Board of Governors and any immediate past officer of the ABA from the California ABA Delegation;
- Two (2) members who have not had substantial volunteer experience but who possess the leadership and other skills to be successful delegation members; and
- Six (6) delegates who have substantial bar experience, especially with the ABA, and are typical of other State Bar appointments.

Unless otherwise authorized by the Board of Governors, Each each member of the State Bar's ABA delegation would be eligible for reappointment to no more than three (3) consecutive two-year appointments or a maximum of six (6) consecutive years of service with the delegation. Delegates who have completed such service may apply in the future after a period of not less than two years from the date of the expiration of the delegate's last term of service with the State Bar.

All members will be encouraged to become broadly participant in ABA activities in order to fully represent the interests of California attorneys.

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RESOLVED, upon recommendation of the Board Committee on Stakeholder Relations, that the Board hereby approves that the distribution of IOLTA grants from the Legal Services Trust Fund Program for the grant period July 1, 2006 through June 30, 2007 shall be made in the order and manner provided by Business and Professions Code Section 6216, and the funds to be distributed shall be \$12,720,721 calculated as follows:

- (1) The amount projected to be received by the Legal Services Trust Fund Program and the interest earned thereon from July 1, 2005 through June 30, 2006, totaling \$15,256,329, shall be allocated for the grant period July 1, 2006 through June 30, 2007.
- (2) The administrative costs to be deducted prior to distribution shall be the costs projected for the period July 1, 2005 through June 30, 2006, totaling \$1,220,280.
- (3) To be subtracted from the total amount prior to distribution shall be \$1,200,560, 10 percent of prior year net revenue reserved for cash on hand.
- (4) Also to be subtracted from the total amount prior to distribution shall be \$114,760, one-half of the amount over 15 percent of prior year net revenue reserved for cash on hand, and it is

FURTHER RESOLVED that grant payments are to be made from funds received pursuant to Business and Professions Code Section 6212 and the income earned from investment of such funds, and that payment of grants is contingent upon the State Bar having sufficient money on hand from such sources to make the scheduled payments; and it is

FURTHER RESOLVED that the Legal Services Trust Fund Commission is directed to monitor program revenue during the grant year and to recommend action to change the total grant amount for the year if needed in the event of significant variances from projections.

RESOLVED, upon recommendation of the Committee on Group Insurance Programs, that the Board Committee on Operations, acting on behalf of the Board between regularly scheduled meetings, hereby approves the formal acknowledgment of Raphael Cotkin's 25 years of service to the State Bar of California; and it is

FURTHER RESOLVED, that that Board Committee on Operations, acting on behalf of the Board between regularly scheduled meetings, hereby authorizes the Committee on Group Insurance Programs to formally present this Board Resolution to Raphael Cotkin at it's Planning Session dinner on Monday, March 13, 2006.

[The above is a report of emergency fax-poll action taken by the Board Committee on Operations on behalf of the Board, March 3 - 6, 2006, between regularly scheduled Board meetings.]

RESOLVED, upon the recommendation of the Los Angeles County Bar Association, that the Board Committee on Operations, acting on behalf of the Board between meetings, approves the resolution adopted by the Los Angeles County Bar Association; and it is

FURTHER RESOLVED, that the Board Committee on Operations, acting on behalf of the Board between meetings, authorizes participation in this resolution in the Tribute Book by March 15, 2006, to be presented to the Chief Justice at the dinner in his honor on April 4, 2006.

[The above is a report of emergency fax-poll action taken by the Board Committee on Operations on behalf of the Board, March 3 - 6, 2006, between regularly scheduled Board meetings.]

Upon motion made, seconded and adopted, it was

RESOLVED, upon recommendation of the Board Committee on Operations, that the Board hereby rejects the Foundation's proposed change to the at-will termination clause, accepts the Foundation's change to the revenue, and modifies Article 2.3 of the MOU along the lines discussed, and delegate to the Executive Director the authority to communicate a final proposal to the Foundation; and it is

Bank Settlement, Equal Access, Justice Gap, Homlessness Prevention II, & Legal Services Trust Funds

Average FFR Interest Rate	1.92%	0.16%	0.18%	0.10%	0.14%	0.11%	0.09%	0.13%	0.39%	1.00%	1.79%	2.16%	0.38%	0.08%
Income	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Bank Trust Account Revenue	\$ 22,268,850	\$ 6,540,851	\$ 6,793,426	\$ 6,077,611	\$ 5,007,709	\$ 4,992,897	\$ 5,225,763	\$ 5,584,435	\$ 6,439,199	\$ 7,036,095	\$ 20,910,031	\$ 46,454,116	\$ 26,276,804	\$ 22,526,029
Licenses Fee Statement-Opt out	-	-	-	1,670,370	3,304,600	3,280,250	4,843,352	6,347,184	6,332,929	6,863,038	6,030,730	6,255,553	6,417,677	6,158,012
Justice Gap Donations	-	609,392	1,040,068	868,382	2,214,528	1,041,706	969,523	1,022,211	1,161,470	1,409,276	980,045	1,537,668	1,820,706	1,175,151
Transfer from Affinity & Insurance	-	-	-	-	2,000,000	-	-	400,000	-	-	463,845	-	-	-
Transfer from Legislative Activities	-	-	-	-	-	2,000,000	-	-	-	-	-	-	-	-
Transfer from Justice Gap	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	1,500,000
Tax-Intercept Funds	-	-	-	-	-	-	178,289	99,134	75,822	119,584	154,868	177,141	914	-
Grants & Grant Repayments	6,128	13,993	5,417	7,353	5,867	-	-	-	-	46,753	5,000	-	-	-
Investment Income	634,273	177,417	51,655	18,128	14,242	14,648	13,594	14,193	56,941	77,687	143,834	661,740	696,142	(21,590)
IOLTA Sub-Total	24,718,174	7,341,653	7,890,566	8,641,844	12,546,946	11,329,501	11,230,521	13,467,157	14,066,361	15,552,433	28,688,353	55,086,218	36,212,243	31,337,602
Equal Access-CA General Funds	12,215,898	10,979,325	10,605,450	10,070,700	10,002,050	10,392,000	10,392,000	10,392,000	12,642,000	17,642,000	20,392,000	35,242,000	16,215,600	20,392,000
Equal Access-AB145 Filing Fees	6,104,395	5,696,068	6,323,433	5,818,791	5,706,445	5,617,106	3,806,328	3,701,281	3,800,000	4,433,556	4,926,673	4,864,180	3,138,445	5,482,000
Equal Access-State Bar Admin	514,575	566,446	526,379	528,451	527,199	525,120	498,910	442,413	457,500	550,626	487,904	593,540	228,880	486,000
Grant Repayments	15,682	5,866	4,321	7,737	57,735	8,123	-	-	-	-	116,876	134,591	168,263	-
Investment Income	80,673	18,861	12,802	3,355	(1,514)	(7,332)	(4,429)	(1,324)	2,392	10,073	(45,597)	52,697	226,708	(7,018)
EAF Sub-Total	18,931,223	17,266,566	17,472,385	16,429,034	16,291,915	16,535,017	14,692,809	14,534,370	16,901,892	22,636,255	25,877,856	40,887,008	19,977,896	26,352,982
Bank Settlement Awards	-	-	-	-	-	-	-	6,085,197	44,778,670	-	-	-	-	-
Grants & Grant Repayments	-	-	-	-	-	-	-	-	-	15,976	11,928	601	-	-
Investment Income	-	-	-	-	-	-	-	-	155,347	287,025	658,219	497,098	321,855	(9,955)
Bank Settlement Sub-Total	-	-	-	-	-	-	-	6,085,197	44,934,017	303,001	670,147	497,699	321,855	(9,955)
Homlessness Prevention II ²	-	-	-	-	-	-	-	-	-	-	-	-	-	9,923,704
Total Income	\$ 43,649,397	\$ 24,608,219	\$ 25,362,951	\$ 25,070,878	\$ 28,838,861	\$ 27,864,518	\$ 25,923,330	\$ 34,086,724	\$ 75,902,270	\$ 38,491,689	\$ 55,236,356	\$ 96,470,925	\$ 56,511,994	\$ 67,604,333
General & Administration Expenses														
Employees as of December	10	10	10	10	10	10	9	8	10	10	9	15	14	12
Personnel	\$ 902,007	\$ 1,034,490	\$ 970,071	\$ 1,037,705	\$ 1,042,168	\$ 1,092,472	\$ 1,077,398	\$ 1,094,524	\$ 1,111,466	\$ 1,225,475	\$ 1,447,230	\$ 1,532,509	\$ 1,380,131	\$ 1,378,256
Operating	217,838	84,046	101,381	115,291	105,593	105,135	148,573	130,371	47,013	85,894	113,241	153,741	308,347	429,962
Equal Access-OneJustice/LAAC	193,205	202,867	192,888	174,548	169,748	226,699	154,222	229,296	198,865	197,740	178,615	212,910	199,573	284,367
Indirect Costs	327,116	312,876	354,496	462,773	493,622	469,861	398,910	578,654	663,120	806,376	829,804	901,200	810,034	1,072,578
General & Administration Sub-Total	1,640,166	1,634,279	1,618,836	1,790,317	1,811,131	1,894,167	1,779,103	2,032,845	2,020,464	2,315,485	2,568,890	2,800,360	2,698,085	3,165,163
Grant Expense Sub-Total														
Legal Services Trust (IOLTA)	15,543,372	13,952,109	11,866,435	10,685,785	10,685,783	9,617,213	4,808,577	10,064,288	11,088,089	11,035,486	13,849,656	27,463,024	55,294,144	23,951,697
Equal Access	16,158,761	16,158,554	17,831,833	18,245,360	16,142,680	16,264,319	12,020,468	17,610,257	14,837,423	20,804,644	25,677,762	34,567,326	25,006,696	24,396,022
Bank Settlement	-	-	-	-	-	-	-	-	4,872,790	7,089,925	9,891,289	9,452,789	11,111,629	2,272,758
Homlessness Prevention II ²	-	-	-	-	-	-	-	-	-	-	-	-	-	9,865,683
Grant Expense Sub-Total	31,702,133	30,110,663	29,698,268	28,931,145	26,828,463	25,881,532	16,829,045	27,674,545	30,798,302	38,930,055	49,418,707	71,483,139	91,412,469	60,486,160
Total Expenses	\$ 33,342,299	\$ 31,744,942	\$ 31,317,104	\$ 30,721,462	\$ 28,639,594	\$ 27,775,699	\$ 18,608,148	\$ 29,707,390	\$ 32,818,766	\$ 41,245,540	\$ 51,987,597	\$ 74,283,499	\$ 94,110,554	\$ 63,651,323
General & Admin Exp/Total Expenses	4.92%	5.15%	5.17%	5.83%	6.32%	6.82%	9.56%	6.84%	6.16%	5.61%	4.94%	3.77%	2.87%	4.97%
Year-End Net Position (Net Assets)														
Legal Services Trust (IOLTA)¹	\$ 16,048,383	\$ 8,401,696	\$ 3,269,770	\$ (49,922)	\$ 500,717	\$ 922,462	\$ 4,914,889	\$ 6,787,029	\$ 10,260,650	\$ 11,171,340	\$ 24,082,586	\$ 49,842,538	\$ 28,397,036	\$ 32,594,905
Percentage Net Assets to prior year revenue		34%	45%	-1%	6%	7%	43%	60%	76%	79%	155%	174%	52%	90%

¹Legal Services Trust (IOLTA) Net Position includes Justice Gap Fund balance.²Accounting segregation by Fund for Homlessness Prevention did not begin until 2012, thus financial activity for Homelessness Prevention I (HPI) is included in Equal Access. Financial activity for Homlessness Prevention III (HPIII) began in 2022.

Attachment C

Legal Services Trust Fund (IOLTA) 2022-2023 Grants Distributions

Revenue, Expenses, and Assets		2020	2021	
		Actual	Projection	Actual
A. Revenue				
Jan-Mar IOLTA Revenue		\$ 9,545,822	\$ 7,137,789	\$ 5,378,986
April-December IOLTA Revenue		\$ 16,730,982	\$ 8,612,211	\$ 17,147,043
IOLTA Revenue		\$ 26,276,804	\$ 15,750,000	\$ 22,526,029
Justice Gap, Legal Services Donations, and other revenue:				
Justice Gap Fund Donations		\$ 1,820,706	\$ 1,440,000	\$ 1,175,151
Legal Services Voluntary Fee Donations		\$ 6,417,677	\$ 6,300,000	\$ 6,158,012
Justice Fund Gap (JGF Transfer)		\$ 1,000,000	\$ -	\$ 1,500,000
Combined LSTF & JGF Interest & Tax Intercept Funds		\$ 747,791	\$ 5,000	\$ (23,142)
Total Revenue:		\$ 36,262,978	\$ 23,495,000	\$ 31,336,050
		Actual	Projections	Actual
B. Expenses				
IOLTA Grant Distributions		\$ 55,294,144	\$ 23,951,697	\$ 23,951,697
IOLTA Administration		\$ 1,410,109	\$ 2,100,000	\$ 1,794,111
Justice Gap Fund (Transfer Out)		\$ 1,000,000		\$ 1,500,000
Justice Gap Fund Administration		\$ 4,226		\$ 13,719
Total Expenses:		\$ 57,708,479	\$ 26,051,697	\$ 27,259,527
C. Net Revenue less Expenses		\$ (21,445,501)	\$ (2,556,697)	\$ 4,076,523
D. Net Assets				
Net Position for Prior Year (Both JGF and LSTF)		\$ 49,842,538	\$ 28,397,037	\$ 32,594,905
Net Revenue less Expenses for Prior Year		\$ (21,445,501)	\$ (2,556,697)	\$ 4,076,523
Total Ending Net Assets:		\$ 28,397,037	\$ 25,840,340	\$ 36,671,428

Attachment D

Legal Services Trust Fund (IOLTA) 2022-2023 Grants Distributions

Revenue, Expenses, and Assets		2022		
		Projections for 2022 Distribution		
A. Revenue		(A)	(B)	(C)
Jan-Mar IOLTA Revenue		\$ 3,173,159	\$ 3,173,159	\$ 3,173,159
April-December IOLTA Revenue		\$ 22,026,842	\$ 19,626,842	\$ 17,226,842
IOLTA Revenue		\$ 25,200,000	\$ 22,800,000	\$ 20,400,000
Justice Gap, Legal Services Donations, and other revenue:				
Justice Gap Fund Donations		\$ 1,440,000	\$ 1,440,000	\$ 989,842
Legal Services Voluntary Fee Donations		\$ 6,150,000	\$ 6,150,000	\$ 5,979,928
Justice Fund Gap (JGF Transfer)		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Combined LSTF & JGF Interest & Tax Intercept Funds		\$ -	\$ -	\$ -
Total Revenue:		\$ 33,790,000	\$ 31,390,000	\$ 28,369,771
		Projections for 2022 Distribution		
B. Expenses		(A)	(B)	(C)
IOLTA Grant Distributions		\$ 35,487,856	\$ 35,487,856	\$ 35,487,856
IOLTA Administration		\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
Justice Gap Fund (Transfer Out)		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Justice Gap Fund Administration				
Total Expenses:		\$ 38,587,856	\$ 38,587,856	\$ 38,587,856
C. Net Revenue less Expenses		\$ (4,797,856)	\$ (7,197,856)	\$ (10,218,085)
D. Net Assets				
Net Position for Prior Year (Both JGF and LSTF)		\$ 36,671,428	\$ 36,671,428	\$ 36,671,428
Net Revenue less Expenses for Prior Year		\$ (4,797,856)	\$ (7,197,856)	\$ (10,218,085)
Total Ending Net Assets:		\$ 31,873,572	\$ 29,473,572	\$ 26,453,343

Projection for Distribution and Reserves		2023		
		Projections for 2023 Distribution		
E. Projected Revenue & Administration Expenses		(A)	(B)	(C)
IOLTA Revenue		\$ 43,877,737	\$ 35,782,309	\$ 31,156,350
Justice Gap Fund Donations - Based on 2022		\$ 1,440,000	\$ 1,440,000	\$ 989,842
Legal Services Voluntary Fee Donations - Based on 2022		\$ 6,150,000	\$ 6,150,000	\$ 5,979,928
Interest Income & Tax Intercept Funds - Based on 2022		\$ -	\$ -	\$ -
Gross Income:		\$ 51,467,737	\$ 43,372,309	\$ 38,126,120
Administration, Net of EAF & Bank Settlement - Based on 2022		\$ (2,100,000)	\$ (2,100,000)	\$ (2,100,000)
Gross Income less Administration Expenses:		\$ 49,367,737	\$ 41,272,309	\$ 36,026,120
Prior Year Ending Net Assets:		\$ 31,873,572	\$ 29,473,572	\$ 26,453,343
Funds Available:		\$ 81,241,309	\$ 70,745,881	\$ 62,479,463
F. Grants				
Prior Year Grant distribution (baseline) for reference only		\$ 35,487,856	\$ 35,487,856	\$ 35,487,856
Total Grants:		\$ 58,287,586	\$ 47,792,157	\$ 39,525,739
Percentage Change vs Prior Year Grant Allocation:		64.25%	34.67%	11.38%
G. Reserve/Cash on Hand/Net Assets				
Projected Reserve/Ending Net Assets*:		\$ 22,953,724	\$ 22,953,724	\$ 22,953,724
Reserve as Percentage of Prior Year Revenue(2022):		67.93%	73.12%	80.91%
Reserve as % of 2023 Funds Available		28.25%	32.45%	36.74%
Reserve as a % of 2023 Grants		39.38%	48.03%	58.07%

Attachment E

The State Bar of California
June 2022
History of Legal Aid Grants by Year

Grant Year	GRANTS								Totals
	IOLTA	EAF Formula	EAF Partnership	EAF Homelessness Prevention	HP II	HP III	Bank Settlement	PLL	
1984-85	\$ 6,881,000								\$ 6,881,000
1985-86	10,425,942								10,425,942
1986-87	12,360,011								12,360,011
1987-88	14,894,864								14,894,864
1988-89	15,648,532								15,648,532
1989-90	18,384,261								18,384,261
1990-91	21,581,165								21,581,165
1991-92	21,428,612								21,428,612
1992-93	22,729,133								22,729,133
1993-94	15,200,001								15,200,001
1994-95	5,756,477								5,756,477
1995-96	6,611,789								6,611,789
1996-97	9,275,796								9,275,796
1997-98	10,322,491								10,322,491
1998-99	12,062,740								12,062,740
1999-00	11,316,009	8,550,000	950,000						20,816,009
2000-01	11,048,167	8,550,000	950,000						20,548,167
2001-02	13,502,192	8,550,000	950,000						23,002,192
2002-03	8,334,637	8,550,000	950,000						17,834,637
2003-04	7,540,236	8,550,000	950,000						17,040,236
2004-05	8,355,983	8,707,820	950,000						18,013,803
2005-06	12,005,677	8,563,521	950,000						21,519,198
2006-07	12,720,721	12,574,041	1,397,120						26,691,882
2007-08	13,827,156	14,399,980	1,600,000						29,827,136
2008-09	15,543,372	14,399,971	1,600,000						31,543,343
2009-10	13,952,109	14,400,000	1,625,000						29,977,109
2010-11	11,866,435	18,000,000	2,000,000						31,866,435
2011-12	10,685,785	14,580,000	1,570,000						26,835,785
2012-13	10,685,783	14,665,872	1,624,000						26,975,655
2013-14	14,425,869	14,462,200	1,518,000						30,406,069
2015	10,098,108	16,263,394	1,441,604						27,803,106
2016	11,088,089	12,750,000	1,419,000				4,872,790		30,129,879
2017	11,035,486	17,199,506	1,702,000				7,089,925		37,026,917
2018	13,849,656	22,889,072	2,845,710				9,891,289		49,475,727
2019	27,463,024	22,923,100	2,575,000	14,800,001			9,452,789		77,213,914
2020	55,294,144	23,520,554	2,666,000	5,049,999			11,111,629		97,642,326
2021	23,951,697	21,163,881	2,423,413		9,865,671		2,272,758	647,000	60,324,420
2022	35,487,856	58,147,328	2,580,574		9,865,671	25,999,994	2,272,084	617,000	134,970,507
Totals	\$ 567,641,005	\$ 372,360,240	\$ 37,237,421	\$ 19,850,000	\$ 19,731,342	\$ 25,999,994	\$ 46,963,264	\$ 1,264,000	\$ 1,091,047,266

Notes: 1) 2013-14 IOLTA grants include 18 month period from July 2013 to Dec 2014.
2) 2015 EAF grants include 15 month period from Oct 2014 to Dec 2015.