



Date: November 4, 2022

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

From: Erica Carroll, Lead Program Analyst

Subject: Discussion and Action on Budget-Related Issues; Recommend Approval or Revision of 2023 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 2023 the State Bar will distribute approximately \$50.6 million in IOLTA funds and \$31.6 million in EAF formula funds.

After completing the IOLTA/EAF eligibility review process, the LSTFC approved 101 organizations for tentative award allocations on August 12, 2022. The State Bar's Office of Access & Inclusion (OA&I) calculated proposed award allocations as prescribed by statute and notified programs of the amount of their allocation on August 26, 2022. Qualified legal service providers (QLSPs) and support centers (SCs) had 30 days to submit their proposed budgets detailing how they would spend the allocated amount. Of the 101 IOLTA/EAF-eligible organizations, 96 submitted budgets by the deadline.

The Eligibility and Budget Review Committee of the LSTFC will meet on November 4, 2022, 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.

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 instructions require grant recipients to 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 nonpersonnel expenses. This has been the practice for at least the past seven years. There is a similar requirement that employee benefits amount to no more than 40 percent as compared to compensation. Deviation from any of these amounts requires committee approval.

Budgeting for activities that may not qualify as legal services under the Business and Professions Code and Rules of the State Bar also requires review, as do purchases of real property or significant property-related capital additions, which are controlled by the Legal Services Trust Fund Program Guidelines for Purchases of Real Property.

STAFF APPLICATION REVIEW PROCESS

Budget proposals for the 2022 IOLTA/EAF grant allocations were due on Wednesday, September 28, 2022, 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 nonpersonnel 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.

COMMITTEE AND LSTFC REVIEW

Staff completed review of all budgets. The Discussion section highlights issues that require committee review. The committee will 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 16, 2022, to vote on the committee's recommendations.

DISCUSSION

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

Deviations from Recommended Program/Administrative, Personnel/Nonpersonnel, and/or Salary/Benefits Allocations

Budget proposal instructions recommend 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 nonpersonnel), 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/Nonpersonnel Allocations

One organization, Los Angeles County Bar Association (LACBA) Counsel for Justice, deviated from the recommended budget allocation of at least 75 percent to personnel in its budget proposal. LACBA allocated 55.85 percent of its EAF funds to personnel and 44.15 percent to nonpersonnel. The organization provided the following explanation regarding the deviation in its EAF budget:

“We contract an outside attorney to coordinate Pro-bono activities, and allocate \$27,600 for her services, which decreased the salaries by 33.25%.”

In the IOLTA/EAF budget forms, “contract service to clients” falls under nonpersonnel. Staff recommends approval of the deviation, given that it will benefit LACBA’s clients, and the organization has been approved for similar budget deviations in prior years.

There were no budget proposals that deviated from the recommended expense ratios regarding program versus administration expenses, or benefits as compared to compensation.

Late Budget Proposals

Staff prepared 101 tentative allocations and 96 organizations submitted their budgets by the deadline.

Five organizations submitted their budgets late:

1. Inner City Law Center
2. Public Advocates, Inc.
3. San Luis Obispo Legal Assistance Foundation
4. Senior Citizens Legal Services
5. Western Center on Law and Poverty

Budgets were due September 28 at 5:00 p.m. Of the five organizations listed above, the first four reached out very shortly after the deadline reporting issues with submission (e.g., the organization tried to submit but encountered a validation error and were locked out by the time they were able to reattempt submission). Staff who were contacted by these organizations helped them submit the budget either that evening or early the next day. Staff recommends accepting these organizations’ proposed budgets for review and approval.¹

Western Center on Law and Poverty was contacted by staff on September 29 about its draft budget. The organization submitted on September 30. However, upon review, staff found the budget substantially incomplete and required the organization to revise and resubmit. Staff requested explanation for the late submission, and the organization reported it had “incorrectly set September 30th as the deadline date for the budget submission, following past Friday due dates.”

¹ Staff notes that there is a pending rule change that would allow staff to accept submissions within this time frame without committee approval. If that rule had been in effect today, staff would have accepted these four late submissions.

This late submission coincides with other delays in receiving grant-related materials from this organization, including requests for audit extensions the past two years. Staff recommends accepting Western Center's late budget submission but further recommends scheduling a meeting between State Bar staff, committee members, and Western Center's staff regarding the importance of grant deadlines and requirements.

Capital Additions and Nonqualifying Activities

Staff did not encounter any budget proposals that planned to acquire real property using IOLTA/EAF funds this coming year, which would have required committee review. A number of proposals included capital additions for tangible personal property (e.g., sharing the cost of purchasing new furniture or laptops). 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. Grant recipients must, however, maintain proper financial documentation and produce it as necessary for monitoring purposes.

Staff also reviewed the budget proposals for possible nonqualifying activities (i.e., activities that would not constitute free civil legal services to indigent persons or legal support services to QLSPs). Staff followed up with organizations that submitted proposals with any questionable activities in order to clarify the nature of the work or revise the budget.

Consequently, there are no questions regarding capital additions or nonqualifying activities for the committee to resolve at this meeting.

Approval of 2022 IOLTA/EAF Budget Proposals

Staff is working with organizations to finalize any necessary changes and corrections to their budgets by the time of the meeting. After addressing the above questions, staff recommends that the committee recommend approval of all 101 budgets to the LSTFC (either as is, or as revised based on the committee's decisions at this meeting).

RECOMMENDATIONS

Staff recommends the following regarding the 2023 IOLTA/EAF budget proposals:

- Accept all late budget proposals and schedule a follow-up meeting with Western Center on Law and Poverty regarding its late budget submission
- Approve LACBA Counsel for Justice's request to allocate 55.85 percent of its EAF budget to personnel expenses, below the recommended expense ratio of 75 percent or higher, due the organization's hiring of a contract attorney

- Recommend to the LSTFC approval of all budgets from organizations listed in Attachment A

ATTACHMENTS

- A. List of all organizations recommended for budget approval and their 2023 IOLTA/EAF grant amounts

2023 IOLTA/EAF Grant Allocations

#	Organization	Funding Opportunity	Final IOLTA Grant Allocation	Final EAF Grant Allocation
1	Advancing Justice - Asian Law Caucus	IOLTA/EAF LSP	\$550,114	\$355,061
2	Affordable Housing Advocates	IOLTA/EAF LSP	\$17,530	\$10,920
3	Aids Legal Referral Panel	IOLTA/EAF LSP	\$36,805	\$23,013
4	Alameda County Homeless Action Center	IOLTA/EAF LSP	\$246,790	\$153,710
5	Alliance for Children's Rights	IOLTA/EAF LSP	\$730,940	\$455,260
6	Asian Americans Advancing Justice Southern California	IOLTA/EAF LSP	\$678,173	\$422,836
7	Asian Pacific Islander Legal Outreach	IOLTA/EAF LSP	\$244,240	\$154,290
8	Bay Area Legal Aid	IOLTA/EAF LSP	\$654,733	\$418,427
9	Bet Tzedek Legal Services	IOLTA/EAF LSP	\$1,655,530	\$1,031,120
10	California Advocates for Nursing Home Reform	IOLTA/EAF SC	\$361,323	\$225,046
11	California Indian Legal Services	IOLTA/EAF LSP	\$316,576	\$197,207
12	California Rural Legal Assistance Foundation	IOLTA/EAF SC	\$361,323	\$225,046
13	California Rural Legal Assistance, Inc.	IOLTA/EAF LSP	\$3,723,237	\$2,318,060
14	California Women's Law Center	IOLTA/EAF SC	\$361,323	\$225,046
15	Capital Pro Bono Inc.	IOLTA/EAF LSP	\$176,167	\$109,914
16	Casa Cornelia Law Center	IOLTA/EAF LSP	\$474,700	\$295,660
17	Center for Gender and Refugee Studies - California	IOLTA/EAF SC	\$361,323	\$225,046
18	Center for Human Rights and Constitutional Law	IOLTA/EAF SC	\$361,323	\$225,046
19	Central California Legal Services	IOLTA/EAF LSP	\$1,803,021	\$1,110,870
20	Centro Legal de la Raza	IOLTA/EAF LSP	\$343,700	\$215,286
21	Child Care Law Center	IOLTA/EAF SC	\$361,323	\$225,046
22	Coalition of California Welfare Rights Organizations	IOLTA/EAF SC	\$361,323	\$225,046
23	Community Lawyers Inc.	IOLTA/EAF LSP	\$16,790	\$10,460
24	Community Legal Aid SoCal	IOLTA/EAF LSP	\$1,461,093	\$918,927
25	Community Legal Services in East Palo Alto	IOLTA/EAF LSP	\$312,950	\$194,910
26	Contra Costa Senior Legal Services	IOLTA/EAF LSP	\$58,943	\$40,270
27	Dependency Advocacy Center	IOLTA/EAF LSP	\$137,810	\$85,840
28	Disability Rights California	IOLTA/EAF LSP	\$4,765,421	\$2,973,875
29	Disability Rights Education and Defense Fund	IOLTA/EAF SC	\$361,323	\$225,046
30	Disability Rights Legal Center	IOLTA/EAF LSP	\$260,518	\$162,447
31	East Bay Community Law Center	IOLTA/EAF LSP	\$232,550	\$144,840
32	Elder Law & Advocacy	IOLTA/EAF LSP	\$231,140	\$143,960
33	Eviction Defense Collaborative	IOLTA/EAF LSP	\$94,330	\$58,750
34	Family Violence Appellate Project	IOLTA/EAF SC	\$361,323	\$225,046
35	Family Violence Law Center	IOLTA/EAF LSP	\$42,040	\$26,180

2023 IOLTA/EAF Grant Allocations

#	Organization	Funding Opportunity	Final IOLTA Grant Allocation	Final EAF Grant Allocation
36	Greater Bakersfield Legal Assistance	IOLTA/EAF LSP	\$886,910	\$552,400
37	Harriett Buhai Center for Family Law	IOLTA/EAF LSP	\$277,770	\$173,010
38	Housing and Economic Rights Advocates	IOLTA/EAF LSP	\$160,729	\$100,442
39	IEP Collaborative, Inc.	IOLTA/EAF LSP	\$2,680	\$1,660
40	Immigrant Legal Resource Center	IOLTA/EAF SC	\$361,323	\$225,046
41	Impact Fund	IOLTA/EAF SC	\$361,323	\$225,046
42	Inland Counties Legal Services	IOLTA/EAF LSP	\$2,774,690	\$1,728,180
43	Inland Empire Latino Lawyers Association, Inc.	IOLTA/EAF LSP	\$194,100	\$120,900
44	Inner City Law Center	IOLTA/EAF LSP	\$1,384,040	\$862,030
45	Justice & Diversity Center of the Bar Association of San Francisco	IOLTA/EAF LSP	\$188,220	\$117,230
46	Justice in Aging	IOLTA/EAF SC	\$361,323	\$225,046
47	La Raza Centro Legal	IOLTA/EAF LSP	\$28,850	\$17,960
48	LACBA Counsel for Justice	IOLTA/EAF LSP	\$133,290	\$83,020
49	Law Foundation of Silicon Valley	IOLTA/EAF LSP	\$456,460	\$284,300
50	Lawyers' Committee for Civil Rights	IOLTA/EAF LSP	\$483,360	\$310,703
51	Learning Rights Law Center	IOLTA/EAF LSP	\$288,697	\$179,847
52	Legal Access Alameda	IOLTA/EAF LSP	\$88,720	\$55,250
53	Legal Aid at Work	IOLTA/EAF LSP	\$673,652	\$423,548
54	Legal Aid Foundation of Los Angeles	IOLTA/EAF LSP	\$1,615,400	\$1,006,130
55	Legal Aid Foundation of Santa Barbara County	IOLTA/EAF LSP	\$211,450	\$131,700
56	Legal Aid of Marin	IOLTA/EAF LSP	\$93,110	\$57,990
57	Legal Aid of Sonoma County	IOLTA/EAF LSP	\$263,320	\$164,000
58	Legal Aid Society of San Bernardino	IOLTA/EAF LSP	\$555,190	\$345,800
59	Legal Aid Society of San Diego	IOLTA/EAF LSP	\$1,321,350	\$822,990
60	Legal Aid Society of San Mateo County	IOLTA/EAF LSP	\$159,670	\$99,450
61	Legal Assistance for Seniors	IOLTA/EAF LSP	\$58,840	\$36,650
62	Legal Assistance to the Elderly	IOLTA/EAF LSP	\$55,810	\$34,760
63	Legal Services for Children	IOLTA/EAF LSP	\$84,601	\$53,785
64	Legal Services for Prisoners with Children	IOLTA/EAF SC	\$361,323	\$225,046
65	Legal Services for Seniors	IOLTA/EAF LSP	\$150,830	\$93,940
66	Legal Services of Northern California	IOLTA/EAF LSP	\$1,918,787	\$1,195,739
67	Los Angeles Center for Law and Justice	IOLTA/EAF LSP	\$228,250	\$142,160
68	Loyola Marymount University	IOLTA/EAF LSP	\$458,280	\$285,440
69	McGeorge Community Legal Services	IOLTA/EAF LSP	\$160,330	\$100,045

2023 IOLTA/EAF Grant Allocations

#	Organization	Funding Opportunity	Final IOLTA Grant Allocation	Final EAF Grant Allocation
70	Mental Health Advocacy Services	IOLTA/EAF LSP	\$167,970	\$104,620
71	National Center for Youth Law	IOLTA/EAF SC	\$361,323	\$225,046
72	National Health Law Program	IOLTA/EAF SC	\$361,323	\$225,046
73	National Housing Law Project	IOLTA/EAF SC	\$361,323	\$225,046
74	Neighborhood Legal Services	IOLTA/EAF LSP	\$1,589,710	\$990,140
75	OneJustice	IOLTA/EAF SC	\$361,323	\$225,046
76	Open Door Legal	IOLTA/EAF LSP	\$58,980	\$36,730
77	Prison Law Office	IOLTA/EAF LSP	\$521,027	\$324,936
78	Public Advocates Inc.	IOLTA/EAF LSP	\$535,314	\$334,563
79	Public Counsel	IOLTA/EAF LSP	\$1,826,330	\$1,137,510
80	Public Interest Law Project	IOLTA/EAF SC	\$361,323	\$225,046
81	Public Law Center	IOLTA/EAF LSP	\$992,001	\$624,902
82	Riverside Legal Aid	IOLTA/EAF LSP	\$391,590	\$243,900
83	San Diego Volunteer Lawyer Program	IOLTA/EAF LSP	\$378,010	\$235,440
84	San Joaquin College of Law	IOLTA/EAF LSP	\$80,622	\$49,710
85	San Luis Obispo Legal Assistance Foundation	IOLTA/EAF LSP	\$72,460	\$45,130
86	Santa Clara County Asian Law Alliance	IOLTA/EAF LSP	\$100,020	\$62,300
87	Santa Clara University Alexander Law Center	IOLTA/EAF LSP	\$46,750	\$29,120
88	Senior Adults Legal Assistance	IOLTA/EAF LSP	\$40,080	\$24,960
89	Senior Advocacy Network	IOLTA/EAF LSP	\$93,060	\$57,960
90	Senior Citizens Legal Services	IOLTA/EAF LSP	\$48,540	\$30,230
91	Social Justice Collaborative	IOLTA/EAF LSP	\$186,199	\$116,351
92	UC Davis School of Law Legal Clinics	IOLTA/EAF LSP	\$302,147	\$188,348
93	UnCommon Law	IOLTA/EAF LSP	\$459,389	\$286,080
94	USD School of Law Legal Clinics	IOLTA/EAF LSP	\$197,250	\$122,850
95	Veterans Legal Institute	IOLTA/EAF LSP	\$172,554	\$108,433
96	Wage Justice Center	IOLTA/EAF LSP	\$34,050	\$21,210
97	Watsonville Law Center	IOLTA/EAF LSP	\$143,210	\$89,200
98	Western Center on Law and Poverty	IOLTA/EAF SC	\$361,323	\$225,046
99	Worksafe, Inc.	IOLTA/EAF SC	\$361,323	\$225,046
100	Youth Law Center	IOLTA/EAF SC	\$361,323	\$225,046
101	Yuba-Sutter Legal Center for Seniors	IOLTA/EAF LSP	\$36,650	\$22,830