



The State Bar of *California*

The April Reports



Today's Discussion

I. Diversion Program for Minor Violations

- Formal diversion program in alignment with directive to cease private discipline effective 1/1/25
- Update on statutory recommendations

II. Fee Increase

- "Maintaining Public Protection" — to maintain existing operations and service levels
- "Increasing Public Protection" — to improve operations, increase efficiency, and improve service levels

III. Board Approval

- Three reports: Diversion, Case Processing Standards, Fee Increase
- Authority for minor amendments to Diversion and Case Processing Standards reports
- Delegation to BOT and FC Chairs to work with staff to finalize Fee Increase report



SEE HERE FOR SPECIFIC STATUTORY REQUIREMENTS



Grand Total, 2025 Request

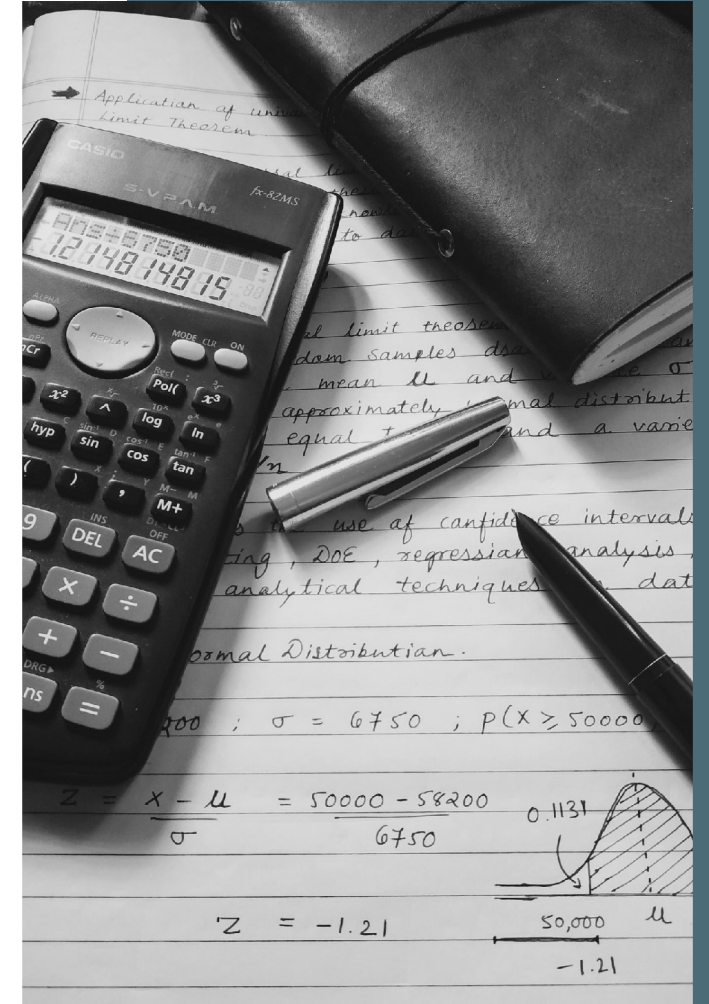


\$95

Maintaining Public Protection

\$30

Increasing Public Protection



2025 Request Detail

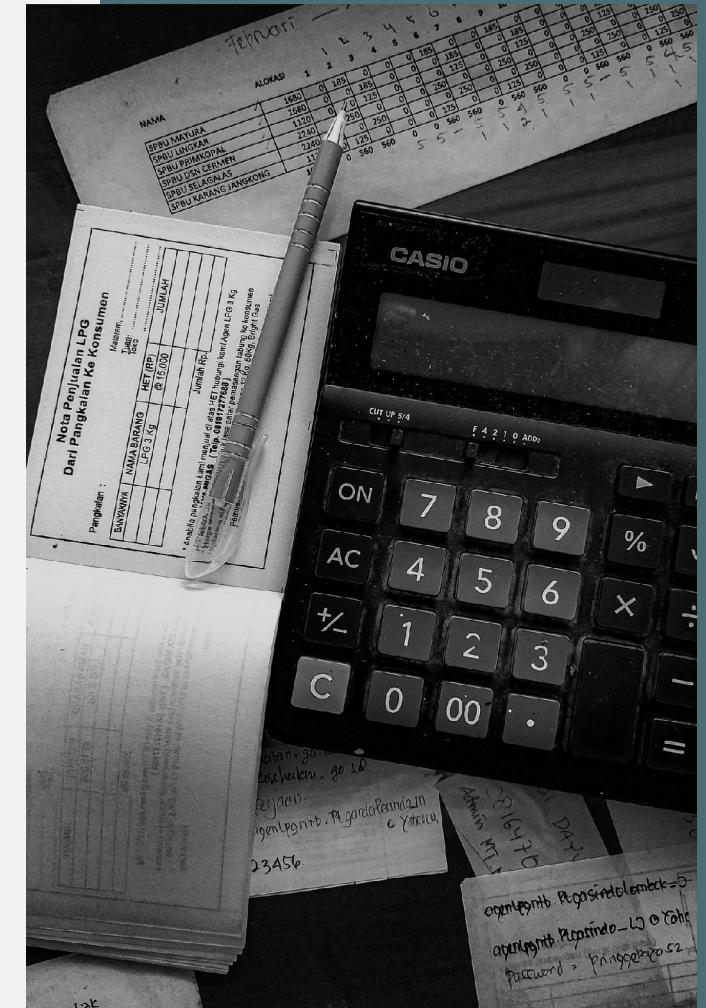
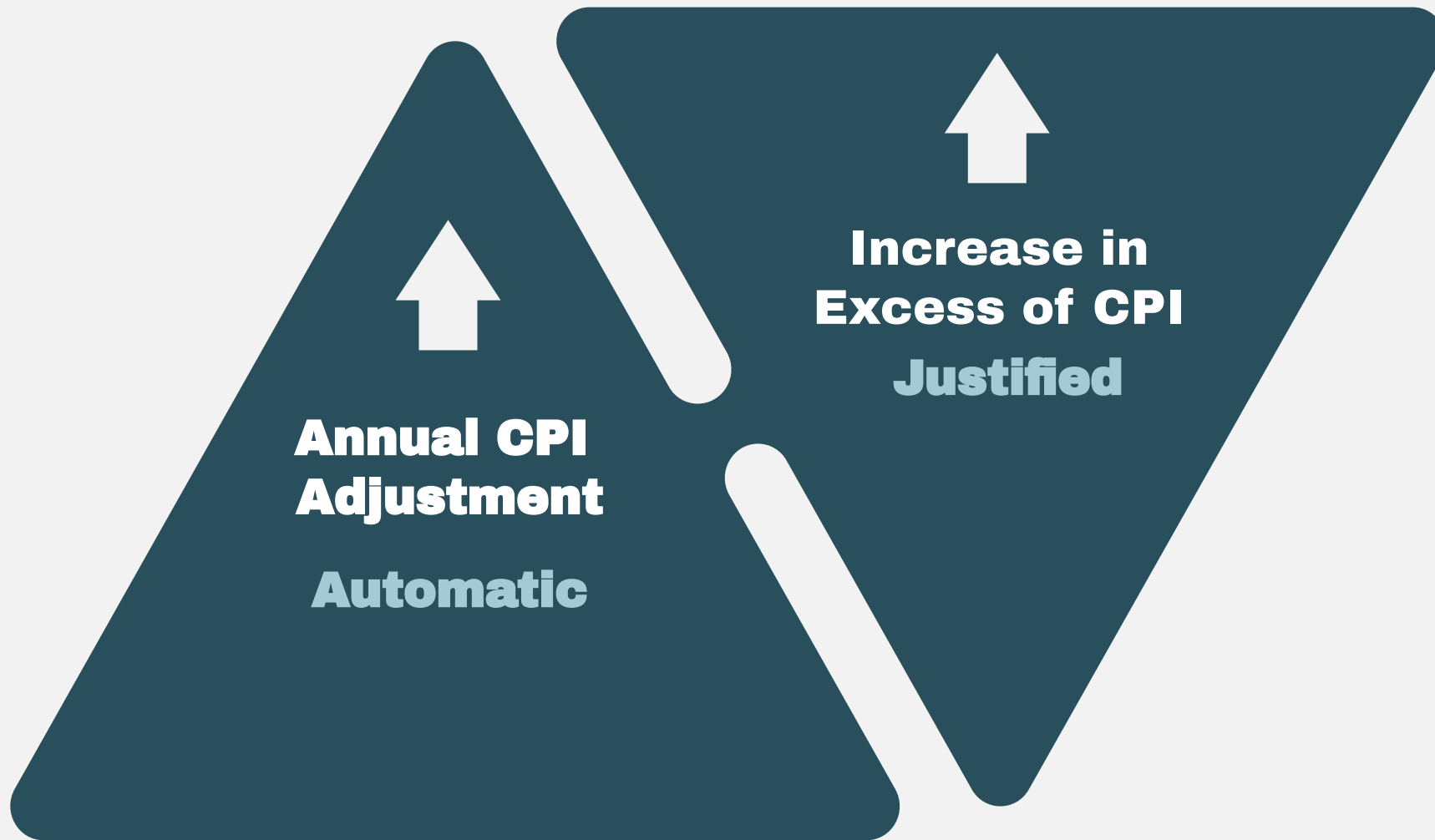
	2025			2026	2027	2028
Area	Amount Needed	Per Active Licensee	Per Inactive Licensee	Per Active Licensee	Per Active Licensee	Per Active Licensee
Maintaining Public Protection		\$95				
Lease Obligations	\$4.4 million	\$21.00	\$5.00	\$21.00	\$21.00	\$21.00
Contractual Obligations (Merit, COLA, IT Licenses)	\$7.4 million	\$35.00	\$9.00	\$35.00	\$35.00	\$35.00
Existing Staffing Levels	\$8.2 million	\$39.00	\$10.00	\$39.00	\$39.00	\$39.00
Increasing Public Protection		\$30				
OCTC Case Processing	\$3.2 million	\$15.25	\$3.75	\$30.50	\$45.75	\$45.75
Diversion Program	\$1.2 million	\$5.50	\$1.25	\$5.50	\$5.50	\$4.00
Complaint Review Unit	\$0.7 million	\$3.50	\$0.75	\$3.50	\$3.50	\$3.50
Client Trust Account Protection Program	\$1.2 million	\$5.75	\$1.25	\$7.25	\$8.75	\$8.75
Modern and Safe Information Technology Infrastructure	TBD					
Totals	\$26.3 million	\$125.00	\$31.00	\$141.75	\$158.50	\$157.00

Diversion Program Pays for Itself

Year	Diversion Program	Case Processing w/Diversion	Total	Case Processing w/o Diversion (+ 16 positions)	Difference
2025	\$1.2 million	\$3.2 million	\$4.4 million	\$4.0 million	\$0.4 million
2026	\$1.2 million	\$6.4 million	\$7.6 million	\$8.1 million	(\$0.5 million)
2027	\$1.2 million	\$9.6 million	\$10.8 million	\$12.1 million	(\$1.3 million)



Annual CPI Adjustment



Total Requested in \$25 Increments



Revised Practice Sector Model

Practice Sector	Active Attorneys	Current Base Fee (w/0 CSF/LAP/Bld**) + Fee Increase Amount	CSF/LAP Revenue Neutral	Total Fee (GF + CSF/LAP/Bld)	Change from Current Base Fee (\$458) - Percent
Solo	45,401	\$450	\$54	\$504	10%
Small Firm	28,804	\$480	\$54	\$534	17%
Medium Firm	20,229	\$696	\$54	\$750	64%
Large Firm	23,591	\$850	\$54	\$904	97%
Government	29,192	\$460	\$54	\$514	12%
Nonprofit	7,953	\$450	\$54	\$504	10%
Corporation - Small*	12,833	\$480	\$54	\$534	17%
Corporation - Medium*	8,776	\$696	\$54	\$750	64%
Corporation - Large*	7,917	\$850	\$54	\$904	97%
Other Private	6,792	\$554	\$54	\$608	33%
Other	4,620	\$404	\$54	\$458	0%
Total	196,109			\$615	22%

* According to the number of attorneys reported and grouped into the same size categories as applied to law firms; corporations with one attorney are included in the small group, however.

**CSF= Client Security Fund fee of \$40; LAP = Lawyer Assistance Program Fee of \$10; Bld = Building Special Assessment of \$4.



Maintaining Public Protection

Lease Obligations, 180 Howard Street

How much do we need?

\$21 per active licensee.

Why do we need add'l \$ and what will impact be?

The State Bar sold its headquarters at 180 Howard Street, San Francisco, in late 2023. The sale resulted in significant future cost savings for the State Bar, which faces millions in unfunded capital liabilities; the organization is however required to pay lease costs for the smaller footprint it will occupy in the building.

Result if not funded

The State Bar is obligated to make lease payments pursuant to a 10-year agreement. Default would result in litigation and related financial penalties for the State Bar.



Maintaining Public Protection

Contractual Obligations to Staff + IT Licensing

How much do we need?

\$35 per active licensee.

Why do we need add'l \$ and what will impact be?

\$26 (\$5.3M) of this request will fund COLAs, merit increases, and benefit cost increases which have exceed 5% annually due to contractual obligations and healthcare benefit rate increases.

\$9 (\$1.8M) will support IT subscription licensing costs which have escalated significantly year-over-year.

Result if not funded

Absent additional funding the State Bar could not meet its contractual obligations to staff or maintain basic existing IT operations.



Maintaining Public Protection

Eliminating Forced Vacancy Rate

How much do we need?

\$39 per active licensee.

Why do we need add'l \$ and what will impact be?

The 2023 budget included a 15% vacancy rate. The Board modified the budgeted vacancy rate to reflect actuals of 8% in the fall of 2023; 2024 and 2025 budgets reflect this rate.

Funding needed to support actual State Bar staffing levels.

Result if not funded

The change from 15% to 8% equates to appx 45 positions. If this request is not funded State Bar would have to ensure an additional 45 positions were vacant at any given time. It would take 15 months to achieve this reduction in filled positions through natural attrition.



Increasing Public Protection

OCTC

How much do we need?

\$ 15.25 per active licensee year 1, double year 2, triple year 3 and beyond. If diversion funding not approved, cost per licensee increases to \$19.25.

Why do we need add'l \$ and what will impact be?

OCTC has consistently been unable to meet statutory case processing goals, and its pending inventory of cases is increasing. The Legislature directed development of new case processing standards and related backlog goals in 2022, as well as an analysis of the gap between current performance and the new standards. This analysis reveals a need for 73 position. Accounting for the impact of the Diversion Program reduces this need to 57. The addition of these positions will ensure that complaints are processed efficiently, effectively, and fairly.

Result if not funded

Absent new resources, OCTC will continue to be unable to comply with either existing or proposed case processing standards, complainants and respondents will continue to endure long pendency periods, and the inventory of unaddressed cases will continue to increase.



Increasing Public Protection

Diversion Program

How much do we need?

\$5.50 per active licensee.

Why do we need add'l \$ and what will impact be?

SB directed to establish a formal diversion program which is comprised of three prongs, two of which address inflow of complaints to OCTC (PTL Bridge Program; MFA), and one of which is a post-complaint filing diversion effort housed in OCTC. Together the program is expected to significantly reduce disciplinary work associated with up to 23 percent of OCTC's current annual complaints.

Result if not funded

OCTC will continue to use existing resources to staff diversion, potentially limiting reach of the program; PTL-Bridge and MFA unable to meaningfully launch or expand; overall reductions in the number of cases diverted will limit intended result of enabling OCTC to focus on more serious disciplinary matters. If not funded, the OCTC position request will increase to 73.



Increasing Public Protection

Complaint Review Unit

How much do we need?

\$3.50 per active licensee.

Why do we need add'l \$ and what will impact be?

CRU has had just 4 quarters of a clearance rate in excess of 100% in the last 5 years. As a result, pending inventory has increased, and now stands at over 1,200 cases. Further, the % of pending cases more than 6 months old is climbing, with average case processing time = 285 days. Requested ongoing funding will support a clearance rate of 100% and reduce disposition time.

Result if not funded

Pending inventory will continue to grow and age; members of the public seeking redress will not have their matters timely addressed.



Increasing Public Protection

Client Trust Account Protection Program

How much do we need?

\$5.75 per active licensee.

If levied on attorneys with CTA's only, \$11.75.

Why do we need add'l \$ and what will impact be?

State Bar implemented the registration and education phase of CTAPP with no additional funding but does not have the resources to expand the program to better protect the public. Currently, attorneys self-report CTA data, and banks and attorneys report IOLTA information. Funding will support 865 annual compliance reviews and 216 regulatory audits annually.

Result if not funded

The State Bar cannot verify compliance with trust accounting rules or proactively protect the public by detecting fraud without a comprehensive compliance review and auditing program.



Increasing Public Protection

Information Technology

How much do we need?

TBD

Why do we need add'l \$ and what will impact be?

- Attorney Regulation Information System Upgrade
- Modernization of the

Result if not funded

The State Bar's core mission critical activities and new initiatives to further public protection, which are increasingly dependent on modern IT systems, tools, and processes, will be delayed or hampered as we fall further behind in technology.