



The State Bar of California

OPEN SESSION AGENDA ITEM 702 MAY 2024

DATE: May 16, 2024

TO: Members, Board of Trustees

FROM: Donna S. Hershkowitz, Chief Mission Officer/Legislative Director
Bridget Gramme, Special Counsel, Consumer Protection, Admissions, Access & Inclusion

SUBJECT: Discussion and Approval of Current and New 2024 Legislative Priorities and Affirmative Legislative Proposals

EXECUTIVE SUMMARY

At its March 2024 meeting, the Board of Trustees directed that, on top of continuing efforts to improve efficiency and cut costs, the State Bar needs to increase the annual licensing fee by \$125 for active California licensed attorneys and \$31 for inactive attorneys. In addition, the Board of Trustees adopted a number of other legislative proposals at its meetings earlier this year. Assembly Bill 3279, the State Bar's 2025 fee bill, currently includes a \$65 fee increase and some of the proposals sought by the organization. This agenda item serves as a formal update to the Board of Trustees on the fee bill and also seeks approval to advance additional affirmative legislative proposals.

BACKGROUND

The State Bar's 2025 fee increase request, captured in the [report](#) submitted to the Legislature in compliance with Business and Professions Code section 6145.1, and the amounts and components authorized by the Assembly Judiciary Committee as set forth in [AB 3279](#) and described in the [Assembly Judiciary Committee analysis](#), are outlined in the table below:

Description	State Bar Identified Need	AB 3279
To Maintain Public Protection (i.e., To Maintain Existing Operations and Services)		
SF Building Lease	\$21	\$15
Contractual Obligations (MOUs, COLAs, Benefits, IT Licenses/Subscriptions)	\$35	\$39 for MOUs, COLA, Benefits and to phase in the 15% vacancy rate over 15 months (with commitment to adjust the amount following further submission detailing the full cost of these items)
Stave Off 15% Vacancy Rate	\$39	
<i>Subtotal</i>	<i>\$95</i>	<i>\$54</i>
To Improve Public Protection		
OCTC Case Processing	\$15.25	--
Diversion Program	\$5.50	\$5.50
Complaint Review Unit Staffing	\$3.50	--
Client Trust Account Protection Program	\$5.75	\$5.50
<i>Subtotal</i>	<i>\$30</i>	<i>\$11</i>
Total	\$125	\$65

The State Bar proposal also identified a need for funding for modern and safe IT infrastructure to enable the Bar to improve public protection, but indicated the amount needed was not yet settled.

On May 13, 2024, the State Bar submitted updated numbers to legislative staff indicating a one-time cost of \$52 (active licensee) to fund the personnel-related expenses that were prioritized in the bill (COLAs, merit and benefit increases, and a phased-in attrition to a 15 percent staff vacancy rate). The ongoing need for all personnel-related expenses once a 15 percent vacancy rate is achieved totals \$20.25. These figures compare to the \$39 currently in the bill for parallel costs.

The State Bar has also submitted a detailed request for information technology investment with a parallel ask for authorization to access excess Client Security Fund (CSF) reserves, currently totaling \$9.3 million, to support identified projects and initiatives:

Area	One-Time Costs
Attorney Regulation Information System (ARIS)	\$4,000,000
Client Security Fund System	400,000
IT Modernization – Multiple Initiatives	\$710,000
Total	\$5,110,000

Lastly, the State Bar has provided additional detail regarding the information technology licensing cost aspect of its original fee increase request which was not approved for funding in AB 3279 as published.

DISCUSSION

STATE BAR FEE BILL

The State Bar has to date taken a support if amended position on AB 3279. Now that a \$65 increase has been included in the bill, the Board should now determine whether to continue that position as the bill continues its path through the Legislature or to alter its position.

In addition to the difference in the amount of the fee proposed by the State Bar and currently in AB 3279, State Bar staff identified a few concerns with the language which were shared with legislative staff, including the structure of the bill itself which caps the total amount of revenue that can be received for various funded line items. This is problematic in that actual revenue is dependent on the number of licensees and the composition of those licensees (active versus inactive for example); a hard cap on revenue could have the unintended result of requiring the State Bar to refund excess revenue in some years, a situation that would be administratively burdensome and costly.

ADDITIONAL AFFIRMATIVE LEGISLATIVE PROPOSALS

Staff recommends that the Board approve as additional affirmative legislative proposals to support the requested fee increase, amending Business and Professions Code section 6140.55 to (1) authorize the State Bar to use a portion of CSF reserves to support IT modernization and staffing in 2025, and (2) clarify that the State Bar may use collections related to CSF reimbursement for IT expenses and other operational needs. The language currently in section 6140.55 permitting the transfer of CSF reserves to the general fund, which the Legislature added to help address the structural deficit in the absence of the San Francisco building sale, expires on January 1, 2025.

In addition, staff have continued to explore changes to CSF reimbursement statutes to make them fair and to improve the likelihood of collection from attorneys on whose behalf clients were paid from the Client Security Fund. Stemming from that exploration, staff recommend the Board approve amending Business and Professions Code section 6140.5 to permit the State Bar to reduce or waive interest when collecting reimbursement to the CSF from a respondent as a condition of reinstatement. To accomplish this, staff recommend mirroring the language in section 6086.10, which permits the bar to reduce or waive discipline costs from respondents. This change will permit the State Bar to negotiate payments with respondents and be more successful in its collection efforts.

FISCAL/PERSONNEL IMPACT

AB 3279 as currently drafted does not fully address the State Bar's structural deficit; if the State Bar did not reduce its filled position count to achieve the 15 percent vacancy rate, the ongoing structural deficit would total over \$11 million annually. If the State Bar does achieve the target vacancy rate, the bill nonetheless underfunds the State Bar's structural deficit by \$3 million annually.

AMENDMENTS TO RULES

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

Goal 2. Protect the Public by Enhancing Access to and Inclusion in the Legal System

Goal 3. Protect the Public by Regulating the Legal Profession

Goal 3. Protect the Public by Regulating the Legal Profession

d. 1. Implement the Client Trust Account Protection Program.

Goal 4. Protect the Public by Engaging Partners

RECOMMENDATIONS

Should the Board of Trustees concur in the proposed action, passage of the following resolution is recommended:

RESOLVED, that the Board of Trustees adopts, as part of the legislative priority to secure a fee increase, amending Business and Professions Code section 6140.55 as described in the statutory amendments section in this analysis; and it is

FURTHER RESOLVED, that the Board of Trustees adopts an affirmative legislative proposal amending Business and Professions Code section 6140.5 to permit the State Bar to reduce or waive interest when collecting reimbursement to the CSF from a respondent as a condition of reinstatement.

ATTACHMENT LIST

None