



The State Bar *of California*

OFFICE OF ACCESS AND INCLUSION

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To: Members, Legal Services Trust Fund Commission

From: Doan Nguyen, Program Director, Office of Access & Inclusion
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Subject: Approval of Interest on Lawyers' Trust Accounts (IOLTA) Grant Distribution for 2025

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 2025 grant distribution of \$232,215,684, which is a 144 percent increase over the 2024 grant distribution of \$95,226,322. With this recommendation, the IOLTA reserve account, which was established in 2023, will be maintained at \$25 million.

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 enacted the IOLTA Act to improve the quality of existing free legal services in civil matters to indigent persons and initiate 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 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.

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).

IOLTA RESERVE POLICY

At the recommendation of the Legal Services Trust Fund Commission and after extensive stakeholder engagement, the Board of Trustees adopted State Bar Rule 3.683 on November 16, 2023, which sets forth a new IOLTA reserve policy. The new policy establishes a more reasonable and reliable method for determining grant distributions by only requiring IOLTA revenue projections for the remainder of the year, rather than over a period of two years as had been previously required. The new policy established parameters for the reserve, including guidance to make minimum contributions to the reserve in each year of increasing revenue; the creation of a separate restricted account for the reserve funds so it is clear how much has been set aside and when, or under what circumstances, those funds can be accessed; and setting a maximum permissible reserve of \$25 million to maintain emphasis on grant distribution while ensuring the ability to stabilize and mitigate the impact on grantees when revenue is decreasing. Under the new policy, the Commission would retain a significant amount of discretion regarding IOLTA grant distribution determinations and reserve contribution amounts (e.g., it could choose to contribute more than the minimum to the reserve in a given year, could increase the maximum reserve balance due to inflation or when grant distributions would otherwise more than double, and allow multiyear spending on typically one-year grants, where appropriate). However, the new policy also provides specific criteria for accessing funds once they become part of the reserve, including considerations like catastrophic events or significant declines in interest revenue. The new policy should assist the Commission in making decisions regarding arguably one of its most important functions: ensuring continued legal aid funding through the judicious distribution and oversight of IOLTA revenue funds. (Attachment A)

Given the very large increase in anticipated revenue in 2024, staff strongly recommends maintaining and fully funding the reserve of \$25 million.

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 2019, the State Bar established the Leadership Bank program to help sustain revenue by incentivizing banks to offer a minimum interest rate on IOLTA accounts while also eliminating associated fees. In exchange, the State Bar recognizes these banks on its website for attorneys' consideration when opening a client trust account. Most of the IOLTA revenue in California—approximately 61.5 percent—comes from three banks (Wells Fargo, Chase, and Bank of America). Each of these banks currently participates in the Leadership Bank program, which requires a minimum interest rate of 68 percent of the current FFR, or 0.68 percent, whichever is higher.

The State Bar monitors participation and is proactive to ensure continued commitment from the program's participants. If any Leadership Bank with large amounts on deposit were to discontinue its partnership with the program and lower interest rates on client trust accounts, a significant drop in IOLTA revenue could result.

IOLTA revenue for 2024 is projected at \$168.2 million under staff's recommended model, which will be discussed in more detail in the next section. For reference, the chart below illustrates the IOLTA grant distributions over the past 10 years.

Year	Total IOLTA Revenue (including Justice Gap donations)	Percent Change Over Prior Year	IOLTA Reserve Balance (in millions)	IOLTA Grant Distribution (in millions)	Percent Change over Prior Year
2024	\$168.2(Projected)	(15.4%)	\$25	\$95.3	88%
2023	\$190.3	198.7%	\$25	\$50.7	42.8%
2022	\$63.7	103.5%	NA	\$35.5	47.9%
2021	\$31.3	(13.8%)	NA	\$24	(56.6%)
2020	\$36.3	(34.1%)	NA	\$55.3	101.1%
2019	\$55.1	92%	NA	\$27.5	99.3%
2018	\$28.7	84%	NA	\$13.8	25.5%
2017	\$15.6	10.6%	NA	\$11	(.9%)
2016	\$14.1	4.4%	NA	\$11.1	9.9%
2015	\$13.5	20.5%	NA	\$10.1	110.4%
2014	\$11.2	(0.9%)	NA	\$4.8	(50%)

CHANGES TO THE FEDERAL FUNDS RATE AND ONGOING FUNDING CHALLENGES

Interest rates have remained high throughout 2023 and into 2024. The federal funds interest rate is currently at 5.5 percent, which is a 23-year high where it has been since July 2023. Despite the strong economy, the Federal Reserve has taken a conservative approach and not

decreased interest rates after months of bumpy inflation data. The Federal Reserve continues to support maintaining the current rates as a means to achieve its goal of reducing overall inflation to two percent in the long term (currently at 3.4 percent). Earlier this year, the Federal Reserve signaled that it would cut rates three times this year; however, at the latest Federal Reserve meeting on June 12, interest rates remained unchanged, and the revised outlook is now one or two rate drops by the end of 2024. Rate reductions beyond the near term, remain uncertain and difficult to predict.

JUSTICE GAP FUND AND OTHER CONTRIBUTIONS

IOLTA funds are supplemented from sources other than trust account interest revenue. In 2006, in response to declining IOLTA revenue and in an effort to create a consistent revenue source to support legal aid, the legislature authorized the State Bar to collect voluntary donations through the attorney licensing fee statement. Business and Professions Code section 6033 allows the State Bar to collect as an "opt-in" donation a suggested donation amount of \$100. In 2013, Business and Professions Code section 6140.03 was enacted to allow an "opt-out" donation to also be included in the attorney licensing fee statement.⁴ This opt-out amount started as \$10 and slowly increased to \$45.⁵ The State Bar is also often the recipient of cy pres awards. All of these sources are combined into the Justice Gap Fund and are currently grouped with IOLTA revenue and distributed by formula. The total combined revenue for the Justice Gap Fund is typically between \$5 to 10 million annually.

STATE BAR INVESTMENT POLICY

Currently, the State Bar places its existing IOLTA fund balance, minus the amount needed for grant disbursement, into short-term government bonds and notes. These are considered safe investment products that provide a modest return while guaranteeing no loss of principal. The interest generated by these accounts will go toward future grant distribution. Anticipated investment revenues of about \$4.7 million are included in the projections for 2024.

DISCUSSION

RECOMMENDED 2025 IOLTA DISTRIBUTION AND TARGET RESERVE

Staff proposes that the Commission recommend a 2025 grant distribution of \$232,215,684 and maintain the \$25 million restricted reserves at the end of 2024.

⁴ The State Bar, in collaboration with the Legal Aid Association of California, is seeking to amend Business & Professions Code section 6033 to provide the Commission with the flexibility to use revenue collected through the attorney licensing fee statement for the Justice Gap Fund to fund emerging and urgent needs impacting client communities. Currently these funds are distributed via the IOLTA formula. If passed, 2025 Justice Gap Fund revenue will not be included in the 2026 IOLTA distribution.

⁵ In 2020, the donation amount increased from \$40 to \$45 so that the additional \$5 could be used to fund "provisionally licensed lawyers" at legal aid organizations. In 2022, that \$5 was redirected to fund the Legal Aid Leaders Fellowships for summer law students at IOLTA-funded organizations.

Forecasting IOLTA Revenue

To aid the Commission in its decision, staff has prepared three different revenue projections for 2023: option A; option B; and option C projections. (Attachment D). The projections are based on actual interest revenue remitted through March 2024 and anticipated revenue for the remainder of 2024. IOLTA revenue is impacted largely by two variables: the Federal Funds Rate (FFR), which is the basis for ECR and Leadership Bank, and deposit balances. The revenue projections factor in various changes to the FFR and all three scenarios assume a reduction in deposits at the ECR and Leadership Bank level as well as comparable rate IOLTA banks.⁶

Scenario A projects 2024 IOLTA interest revenue of \$189.61 million, total revenue of \$208.39 million, and \$272.40 million in total ending net assets for funding (which is net of a potential \$25 million restricted reserve). The projection assumes that the FFR will decrease from 5.50 percent currently to 5.25 percent in October and hold at that level for the remainder of 2024. Staff projects a 10 percent reduction in depository balances for both ECR and Leadership Bank level (from \$4.43 billion to \$3.99 billion), and comparable rate IOLTA banks (from \$3.02 billion to \$2.71 billion). Based on the actual March 2024 balance, and anticipated revenue activity for the remainder of 2024, staff projects \$6.52 million in voluntary donations from attorney licensing fees, \$1.80 million in Justice Gap Fund donations, and \$5.54 million in interest income (Justice Gap and LSTF), in 2024.

Scenario B projects 2024 IOLTA interest revenue of \$150.40 million, total revenue of \$168.21 million, and \$232.22 million in total ending net assets for funding (which is net of a potential \$25 million restricted reserve). The projection assumes two decreases of the FFR in 2024, with the rates decreasing to 5.25 percent in October and 5.00 percent in November. In this scenario, staff projects a 35 percent reduction in depository balances for both ECR and Leadership Bank level (from \$4.43 billion to \$2.88 billion), and comparable rate IOLTA banks (from \$3.02 billion to \$1.96 billion). In addition, staff projects \$6.51 million in voluntary donations from attorney licensing fees, \$1.52 million in Justice Gap Fund donations, and \$4.88 million in interest income (Justice Gap and LSTF), in 2024.

Scenario C projects 2024 IOLTA interest revenue of \$127.23 million, total revenue of \$143.63 million, and \$207.63 million in total ending net assets for funding (which is net of a potential \$25 million restricted reserve). This last projection includes three 0.25 percent decreases in the last quarter of 2024. The FFR decreases from 5.50 percent currently to a low of 4.75 percent in December. Staff projects a steeper 50 percent reduction in depository balances for both ECR and Leadership bank level (from \$4.43 billion to \$2.21 billion), and comparable rate IOLTA banks (from \$3.02 billion to \$1.51 billion). Staff projects approximately \$6.30 million in

⁶ Currently, 59.5 percent of the aggregate assets in IOLTA certified banks resides with ECR or Leadership Banks (compared to 56 percent in the prior year).

voluntary donations from licensing fees, \$1.05 million for Justice Gap Fund donations, and \$4.14 million in interest income (Justice Gap and LSTF), in 2024.

Recommended 2025 IOLTA Distribution and Reserve

Based on the current revenue trends and analysis of market conditions, staff recommends the Commission adopt the option B modeling, which projects total revenue of \$168.21 million for 2024.

Given the large increase in IOLTA revenue in 2024, staff recommends maintaining the reserve of \$25 million, which would yield a 2025 grant distribution of \$232,215,684. 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

While IOLTA revenue is strong, several State Bar grants are terminating shortly. All homelessness prevention (HP) grants are set to end December 2024, which total about \$37.34 million in 2024. Despite strong advocacy from LAAC and the State Bar another round of HP grants in the near future is unlikely. Programs are set to face a devastating funding cliff from the loss of HP funds which will be exacerbated by the end of CalFHA foreclosure prevention grants, which will also end in 2024 and total \$3.57 million for the year. In addition, consumer debt legal assistance grants and Bank grants will end in 2025, which account for another \$2.26 and \$4.75 million per year of funding respectively. For the upcoming state fiscal year, the State Bar does not expect any changes to the Equal Access Funds (EAF) for EAF IOLTA formula, which should be approximately \$31.51 million for 2025.

There have also been significant losses to other sources of funding for legal aid, including reductions to Victims of Crime Act (VOCA), immigration legal services, and other various Covid-related grants. Foundation funding has also been unpredictable since the start of the pandemic and some foundations have moved away from funding legal aid initiatives. OneJustice and LAAC conducted a survey in April 2024 regarding legal aid leaders' assessment of their organizations' financial outlooks in the coming years. (Attachment F). In the survey, 40 percent of organizations, many of which are IOLTA-funded organizations, expect a significant drop in total revenue in the next 6-12 months and 52 percent of organizations expect a significant drop in the next 1-2 years. State Bar staff have also heard anecdotally that some programs have started or are considering decreasing staff. Despite the need for legal services increasing, the funding landscape for legal aid remains volatile in the next few years, especially with the large state budget crisis.

Multiyear Budgeting

Historically, IOLTA grants have operated on one-year cycles. The requirement to distribute funds on a yearly basis under the IOLTA statute has been previously interpreted to mean that the funds must also be spent within a year. However, the statute does not contain this restriction, and the Commission can choose to be more flexible when it requires programs to spend their IOLTA grant funds, which the Commission exercised in 2024 given the large increase in IOLTA funding. Staff again recommends that the Commission approve another four-year grant that begins in January 2025 and ends in December 2028. The Commission will still issue a separate 2026 distribution this time next year, but the four-year grant now would provide more stability for grantees, who could use the flexibility to plan for anticipated cuts elsewhere in 2025. The flexibility will also help programs address challenges in recruitment and retention.

Recommendation to the Board of Trustees

In summary, staff recommends a calendar year 2025 IOLTA distribution of \$232,215,684, while maintaining a reserve of \$25 million at the end of 2024. At a time when the need for free legal services is more critical than ever, this sizable increase from 2024 will enable grantees to cover budget shortfalls at their organizations. Increased funding will also allow programs to maintain and in some instances increase services to vulnerable and indigent Californians. Moreover, the reserve will provide grantees with some funding stability beyond 2025, 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 18 and 19, 2024 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

Administration of the IOLTA program is fully funded through IOLTA revenue. The recommended distribution is net of the \$3.98 million projected cost to administer the program; the actual amount distributed to grantees in 2025 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 reserve. This recommendation does not affect the State Bar's 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 2025 IOLTA distribution in the amount of \$232,215,684 and maintain a reserve of \$25 million at the end of 2024.

ATTACHMENT(S) LIST

- A.** State Bar Rule 3.683
- B.** Distribution Spreadsheet of Revenue and Expenses - Ten Year Financial Data
- C.** IOLTA 2023 Revenue Projections vs. Actual Detail
- D.** IOLTA 2024 Revenue Projections and Grant Distribution Detail
- E.** History of Legal Aid Grants
- F.** 2024 OneJustice and LAAC Financial Outlook Survey

Attachment A – IOLTA Reserve Policy

State Bar Rule 3.6883 Determination of IOLTA Distribution Amounts

- (A) The Legal Services Trust Fund Commission will annually recommend to the Board of Trustees the amount of IOLTA funds to be distributed and the amount to be held in reserve the next year.¹² The Commission will set the current year's projected IOLTA revenue total as the target distribution amount after deducting State Bar administrative costs and any amount set aside for the reserve. Instead of setting aside an amount for reserve, the Commission may increase the distribution with contributions from the reserve.
- (B) The reserve will be established as a restricted fund account that may be accessed to increase planned IOLTA grant distributions or to ensure sufficient funds for the State Bar to fulfill current-year IOLTA grant disbursements.
 - (1) A minimum of 5 percent of current year revenue should be added to the reserve each year, subject to the maximum reserve balance set forth below, unless revenue is projected to fall, in which case the Commission may direct a smaller percentage of revenue, or none, to the reserve for the following year.
 - (a) The Commission may increase the amount of revenue directed to the reserve, unless it would exceed the maximum allowable balance.
 - (2) The maximum reserve balance will be set at \$25 million.
 - (a) The Commission may periodically choose to increase the maximum allowable reserve balance to account for inflation, as reflected by the overall percentage increase in the Bureau of Labor Statistics' Consumer Price Index.
 - (b) If the reserve has reached the maximum allowable balance, all revenue remaining after administrative costs will be distributed as grants. However, if the Commission determines that the grant distribution will be at least double the distribution of the prior year, and the size of the distribution cannot be effectively or efficiently used by grant recipients within the grant period, the Commission may increase the reserve by an amount not to exceed a total of \$40 million.
- (C) The Commission will determine whether to access funds held in reserve as part of the planned IOLTA grant distribution. Factors for consideration include, but are not limited to,
 - (1) Catastrophic events or other emergency circumstances resulting in significantly decreased IOLTA revenue and/or legal aid funding generally;
 - (2) Catastrophic events or other emergency circumstances resulting in significantly increased need for legal aid services; or
 - (3) IOLTA revenue decreases of more than 15 percent.
- (D) If IOLTA revenue yields insufficient funds for the State Bar to disburse quarterly IOLTA grant payments, the Commission will authorize use of the reserve to fulfill existing grant obligations.
- (E) IOLTA funds shall be distributed on an annual basis. However, the Commission may authorize yearly IOLTA grant distributions to be spent over a period of multiple years.

Rule 3.683 adopted effective November 16, 2023.

¹² Business & Professions Code § 6210.5(e).

The STATE BAR OF CALIFORNIA - OFFICE OF ACCESS & INCLUSION

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

Average FFR Interest Rate	0.11%	0.09%	0.13%	0.39%	1.00%	1.79%	2.16%	0.38%	0.08%	1.94%	5.21%
Income	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Bank Trust Account Revenue	\$ 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	\$ 54,073,155	\$ 176,403,380
Licensee Fee Statement-Opt out	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	6,348,718	6,476,804
Voluntary Fees/Donatins - PLL	-	-	-	-	-	-	-	-	-	800,355	8,990
Voluntary Fees/Donatins - Law Fellowship	-	-	-	-	-	-	-	-	-	-	806,026
Justice Gap Donations	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	1,405,822	1,797,696
Transfer from Affinity & Insurance	-	-	400,000	-	-	463,845	-	-	-	-	-
Transfer from Legislative Activities	2,000,000	-	-	-	-	-	-	-	-	-	-
Transfer from Justice Gap	-	-	-	-	-	-	-	1,000,000	1,500,000	1,000,000	1,000,000
Transfer from General	-	-	-	-	-	-	-	-	-	-	400,000
Tax-Intercept Funds	-	178,289	99,134	75,822	119,584	154,868	177,141	914	-	-	-
Grants & Grant Repayments	-	-	-	-	46,753	5,000	-	-	-	-	-
Investment Income	14,648	13,594	14,193	56,941	77,687	143,834	661,740	696,142	(21,590)	89,223	4,248,940
IOLTA Sub-Total	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	63,717,273	191,141,836
Equal Access-CA General Funds	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	63,640,440	33,956,184
Equal Access-AB145 Filing Fees	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	5,207,901	450,000
Equal Access-State Bar Admin	525,120	498,910	442,413	457,500	550,626	487,904	593,540	228,880	486,000	1,431,416	1,128,009
Grant Repayments	8,123	-	-	-	-	116,876	134,591	168,263	-	-	-
Investment Income	(7,332)	(4,429)	(1,324)	2,392	10,073	(45,597)	52,697	226,708	(7,018)	29,003	504,783
EAF Sub-Total	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	70,308,760	36,038,975
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)	41,140	215,125
Bank Settlement Sub-Total	-	-	6,085,197	44,934,017	303,001	670,147	497,699	321,855	(9,955)	41,140	215,125
Homelessness Prevention II ²	-	-	-	-	-	-	-	-	9,923,704	9,865,671	9,767,662
Investment Income	-	-	-	-	-	-	-	-	-	-	1,151
Homelessness Prevention II State Bar Admin	-	-	-	-	-	-	-	-	107,037	336,940	176,059
Homelessness Prevention II Sub-Total	-	-	-	-	-	-	-	-	10,030,741	10,202,611	9,944,872
Homelessness Prevention III	-	-	-	-	-	-	-	-	-	26,000,000	24,766,554
Investment Income	-	-	-	-	-	-	-	-	-	-	500
Homelessness Prevention III State Bar Admin	-	-	-	-	-	-	-	-	-	346,449	336,255
Homelessness Prevention III Sub-Total	-	-	-	-	-	-	-	-	-	26,346,449	25,103,310
Homelessness Prevention 4	-	-	-	-	-	-	-	-	-	-	18,454,885
Investment Income	-	-	-	-	-	-	-	-	-	-	234,703
Homelessness Prevention 4 State Bar Admin	-	-	-	-	-	-	-	-	-	-	280,447
Homelessness Prevention 4 Sub-Total	-	-	-	-	-	-	-	-	-	-	18,970,035
CARE Court	-	-	-	-	-	-	-	-	-	-	21,670,000
Investment Income	-	-	-	-	-	-	-	-	-	-	-
CARE Court State Bar Admin	-	-	-	-	-	-	-	-	-	-	207,615
Consumer Debt Sub-Total	-	-	-	-	-	-	-	-	-	-	21,877,615
Consumer Debt	-	-	-	-	-	-	-	-	-	-	4,749,999
Investment Income	-	-	-	-	-	-	-	-	-	-	223,223
Consumer Debt State Bar Admin	-	-	-	-	-	-	-	-	-	-	118,606
Consumer Debt Sub-Total	-	-	-	-	-	-	-	-	-	-	5,091,828
CalHFA	-	-	-	-	-	-	-	-	-	3,680,001	3,571,704
Investment Income	-	-	-	-	-	-	-	-	-	-	500
CalHFA State Bar Admin	-	-	-	-	-	-	-	-	-	70,201	181,624
CalHFA Sub-Total	-	-	-	-	-	-	-	-	-	3,750,202	3,753,828
Total Income	\$ 27,864,518	\$ 25,923,330	\$ 34,086,724	\$ 75,902,270	\$ 38,491,689	\$ 55,236,356	\$ 96,470,925	\$ 56,511,994	\$ 67,711,370	\$ 174,366,435	\$ 312,137,424
General & Administration Expenses											
Employee Count as of December	10	9	8	10	10	9	15	14	12	18	22
Personnel	\$ 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	\$ 1,945,368	\$ 3,582,849
Operating	105,135	148,573	130,371	47,013	85,894	113,241	153,741	108,774	145,595	153,755	718,712
Equal Access-One/Justice/LAAC	226,699	154,222	229,296	198,865	197,740	178,615	212,910	199,573	284,367	196,338	181,117
Indirect Costs	469,861	398,910	578,654	663,120	806,376	829,804	901,200	810,034	1,072,578	1,330,197	1,633,498
General & Administration Sub-Total	1,894,167	1,779,103	2,032,845	2,020,464	2,315,485	2,568,890	2,800,360	2,498,512	2,880,796	3,625,657	6,116,177
Grant Expense Sub-Total											
Legal Services Trust (IOLTA)	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	35,414,534	50,648,233
Equal Access	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	69,778,965	34,406,184
PLL	-	-	-	-	-	-	-	-	-	646,198	-
Law Fellowship	-	-	-	-	-	-	-	-	-	-	757,375
Bank Settlement	-	-	-	4,872,790	7,089,925	9,891,289	9,452,789	11,111,629	2,272,758	2,272,084	-
Homelessness Prevention II ²	-	-	-	-	-	-	-	-	9,865,683	9,865,671	9,718,671
Homelessness Prevention III	-	-	-	-	-	-	-	-	-	26,000,000	24,766,554
Homelessness Prevention 4	-	-	-	-	-	-	-	-	-	-	18,454,885
CARE Court	-	-	-	-	-	-	-	-	-	-	21,670,000
Consumer Debt	-	-	-	-	-	-	-	-	-	-	4,749,999
CalHFA	-	-	-	-	-	-	-	-	-	3,680,001	3,571,704
Grant Expense Sub-Total	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	147,657,453	168,743,605
Total Expenses	\$ 27,775,699	\$ 18,608,148	\$ 29,707,390	\$ 32,818,766	\$ 41,245,540	\$ 51,987,597	\$ 74,283,499	\$ 93,910,981	\$ 63,366,956	\$ 151,283,110	\$ 174,859,782
General & Admin Exp/Total Expenses	6.82%	9.56%	6.84%	6.16%	5.61%	4.94%	3.77%	2.66%	4.55%	2.40%	3.50%
Year-End Net Position (Net Assets)											
Legal Services Trust (IOLTA)¹	\$ 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	\$ 57,456,947	\$ 193,288,408
Percentage Net Assets to prior year revenue	7%	43%	60%	76%	79%	155%	174%	52%	90%	183%	303%

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

Attachment C - IOLTA 2023 Revenue Projections vs. Actual Detail

		BOT Approved Amounts	Actuals	Amount Difference	% Difference
Jan – March 2023(Actuals)		34,469,441			
April – Dec 2023 (Projected)		71,653,450			
Jan - Dec 2023 (Actuals)			176,403,380		
Total YTD IOLTA Revenue		106,122,891	176,403,380		
Revenue					
Justice Gap Fund Donations		1,405,822	1,797,696		
Legal Services Voluntary Fee Donations		6,300,000	6,485,794		
Justice Fund Gap (JGF Transfer)		1,000,000	1,000,000		
General Fund Transfer		-	400,000		
LSTF Interest Income		2,043,197	4,019,436		
JGF Interest Income		44,833	229,504		
Justice Gap, Legal Services Donations, and other revenue (Projected)		10,793,852			
Justice Gap, Legal Services Donations, and other revenue (Actual)			13,932,430		
2023 YTD TOTAL REVENUE		116,916,743	190,335,810	73,419,067	62.80%
Expenses					
IOLTA Grant Distributions		50,684,923	50,648,233		
IOLTAAdministration (Projected)		2,452,472	2,894,869		
Justice Gap Administration (Projected)		9,973	9,897		
Justice Gap Fund (Transfer Out)		1,000,000	1,000,000		
Restricted Reserve		25,000,000	25,000,000		
2023 YTD TOTAL EXPENSES		79,147,368	79,552,999	405,631	0.51%
Net Revenue		37,769,375	110,782,812	73,013,436	193.31%

IOLTA 2024 Revenue Projections and 2025 Grant Distribution Detail

Revenue, Expenses, and Assets		2024		
		(A)	(B)	(C)
A. Revenue				
Jan-Mar IOLTA Revenue (Remittance)		\$ 51,376,780	\$ 51,376,780	\$ 51,376,780
Apr-Dec IOLTA Revenue (Projected)		\$ 138,234,887	\$ 99,018,554	\$ 75,848,442
IOLTA Revenue		\$ 189,611,667	\$ 150,395,334	\$ 127,225,221
Justice Gap, Legal Services Donations, and other revenue:				
Justice Gap Fund Donations (Actual & Projected)		\$ 1,803,549	\$ 1,515,074	\$ 1,050,000
Legal Services Voluntary Fee Donations (Actual & Projected)		\$ 6,517,515	\$ 6,505,987	\$ 6,300,000
Justice Fund Gap (JGF Transfer - Projected)		\$ 4,916,918	\$ 4,916,918	\$ 4,916,918
JGF Interest & Tax Intercept Funds		\$ 229,504	\$ 178,000	\$ 115,997
LSTF Investment Income		\$ 5,313,073	\$ 4,700,000	\$ 4,019,436
Total Revenue:		\$ 208,392,226	\$ 168,211,313	\$ 143,627,572
		(A)	(B)	(C)
B. Expenses				
IOLTA Grant Distributions (Actual)		\$ 95,338,093	\$ 95,338,093	\$ 95,338,093
IOLTA and Justice Gap Administration (Projected)		\$ 3,980,375	\$ 3,980,375	\$ 3,980,375
Justice Gap Fund (Transfer Out)		\$ 4,916,918	\$ 4,916,918	\$ 4,916,918
Restricted Reserve Increase		\$ -	\$ -	\$ -
Total Expenses:		\$ 104,235,386	\$ 104,235,386	\$ 104,235,386
C. Net Revenue (Total Revenue less Total Expenses)		\$ 104,156,840	\$ 63,975,927	\$ 39,392,186
D. Net Assets				
Net Position for Prior Year (Both JGF and LSTF)*		\$ 193,239,757	\$ 193,239,757	\$ 193,239,757
Less Restricted Reserve - established in 2023		\$ (25,000,000)	\$ (25,000,000)	\$ (25,000,000)
Add Net Revenue		\$ 104,156,840	\$ 63,975,927	\$ 39,392,186
Total Ending Net Assets for Funding:		\$ 272,396,597	\$ 232,215,684	\$ 207,631,944
Restricted Reserve		25,000,000	25,000,000	25,000,000
Total Ending Net Assets with Restricted Reserve		\$ 297,396,597	\$ 257,215,684	\$ 232,631,944

Attachment E

The State Bar of California
June 2024
History of Legal Aid Grants by Year

Grant Year	GRANTS															
	IOLTA	EAF Formula	EAF Partnership	Partnership 2.0	EAF Homelessness Prevention	HP II	HP III	HP 4	CalHFA	Consumer Debt	CARE Court Planning	CARE Court	Bank Settlement	PLL	Law Fellowship	Totals
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	3,880,237		9,865,671	25,999,994		3,680,001				2,272,084	617,000		142,530,745
2023	50,684,923	31,626,571	2,786,000			9,718,671	24,766,554	18,454,885	3,571,704	4,749,999	250,000	21,420,000			757,375	168,786,682
2024	95,338,633	31,706,011	4,694,497				27,291,426	10,045,115	3,571,701	4,749,999		17,588,000	2,260,285		751,764	197,997,431
2025	232,215,684	31,506,480	3,500,720							4,749,999		17,588,000	2,260,285			291,821,168
Totals	\$ 945,880,245	\$ 467,199,302	\$ 48,218,638	\$ 3,880,237	\$ 19,850,000	\$ 29,450,013	\$ 78,057,974	\$ 28,500,000	\$ 10,823,406	\$ 14,249,997	\$ 250,000	\$ 56,596,000	\$ 51,483,834	\$ 1,264,000	\$ 1,509,139	\$ 1,757,212,785

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.
3) 2025 amounts for EAF Formula, EAF Partnership, and CARE Court are estimates

OneJustice and the Legal Aid Association of California (LAAC) launched a survey in April 2024 regarding legal aid leaders' assessment of their organizations' financial outlooks in the coming years. We conducted the survey because leaders have been sharing with us their concerns about the impending loss of multiple one-time sources of funding related to the COVID-19 pandemic.

The survey was disseminated to executive directors through listservs managed by OneJustice and LAAC. All survey participants have been assured of anonymity so that they could be candid in sharing their concerns.

We acknowledge that we are not in the same financial situation as many of our organizations were over a decade ago in the Great Recession. At that time, our entire sector faced layoffs and furloughs and losses of benefits. Thankfully, many core sources of funding have increased over the last decade. However, the need for civil legal aid continues to grow, and that, partnered with our ongoing recruitment and retention crisis, means that many organizations have needed to increase staff salaries and increase services to their client community with many one-time funding sources that end soon. Specifically, in California, there are significant losses to federal Victims of Crime Act (VOCA) funding, the end of "homelessness prevention" grants administered by the State Bar of California (largely using \$80 million in one-time COVID funding), a state budget crisis precluding any back-fill in funding losses, and changing funding priorities of some foundations.

We recognize that this data may be helpful to funders of civil legal aid in order to understand the reality facing legal services organizations. We share data about anticipated drops in revenue, in the aggregate, so that funders understand the potential consequence of a loss in vital services for low-income individuals, families, and communities throughout California.

APRIL 2024 SURVEY KEY FINDINGS

50 of the 55 survey responses are from legal organizations that receive grant funding from the State Bar of California (the survey was completed by a significant percentage of the 110 legal aid organizations and support centers that received State Bar grant funding in 2024).

42% of organizations describe their financial outlook as worrisome or very worrisome.

- This is a significant increase in organizations that are worried about their financial outlook.
- In spring 2023, 3% of organizations described their financial outlook as worrisome or very worrisome, based on data collected from OneJustice.

40% of organizations describe their financial outlook as good or very good.

- This is a significant decrease in organizations that describe their financial outlook in positive terms.
- In spring 2023, 76% of organizations described their financial outlook as good or very good, based on data collected from OneJustice.

In the next 6-12 months,

- 40% of organizations expect a significant drop in total revenue
- 20% are unsure

In the next 1-2 years,

- 52% of organizations expect a significant drop in total revenue
- 32% are unsure

In the next 2-3 years,

- 45.5% of organizations estimate that they will have less total revenue
- 40% estimate that they will have about the same total revenue
- 14.5% estimate they will have more total revenue

For additional information about the challenges ahead and how the funder community can support legal aid organizations, please reach out to:

- Phil Hwang, Chief Executive Officer of OneJustice, phwang@one-justice.org
- Salena Copeland, Executive Director of Legal Aid Association of California, scopeland@laaonline.org