



The State Bar of California

OPEN SESSION

AGENDA ITEM

7.5 NOVEMBER 2024

LEGAL SERVICES TRUST FUND COMMISSION, ELIGIBILITY AND BUDGET REVIEW COMMITTEE

DATE: November 1, 2024

TO: Members, Legal Services Trust Fund Commission, Eligibility and Budget Review Committee

FROM: Erica Carroll, Lead Program Analyst

SUBJECT: Action on 2025 IOLTA/EAF Budget-Related Issues and Recommend Approval of 2025 IOLTA/EAF Budget Proposals to LSTFC

EXECUTIVE SUMMARY

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. Each year, the LSTFC reviews and approves budget proposals submitted by organizations found eligible for funding in the next grant cycle.

This memorandum provides a synopsis of the budget review process and issues elevated for Eligibility and Budget Review Committee (Committee) action, including expense ratio deviations and requests to budget for capital additions. After discussing and resolving any issues raised, staff recommends that the Committee recommend approval—or, in some instances, approval after necessary revisions—of all proposed budgets to the LSTFC.

RECOMMENDED ACTION

Staff recommends that the Committee recommend that the LSTFC approve the 2025 IOLTA/EAF budget proposals. For budget proposals where a budget-related issue is implicated, staff recommends that the Committee recommend approval contingent upon the relevant grantee submitting complete and accurate revisions as requested by staff and/or the Committee prior to the LSTFC meeting on November 8, 2024.

DISCUSSION

GOVERNING AUTHORITIES AND OFFICE PRACTICE

[Section 6216](#) of the Business and Professions Code prescribes the method for allocating IOLTA funds to qualified legal services projects (QLSPs) and support centers (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.

Budget proposals for the 2025 IOLTA/EAF grant allocations were due on Wednesday, September 25, 2024, 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 qualifying activities only; 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 EAF 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.

LATE AND SUBSTANTIALLY INCOMPLETE SUBMISSIONS

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. Staff has some discretion to accept late submissions within one business day of the deadline, but any submissions later than that are referred to the Committee.

This year, seven budget proposals were submitted late from the following organizations:

1. California Advocates for Nursing Home Reform
2. Legal Aid Society of San Bernardino
3. Legal Assistance to the Elderly
4. Public Law Center
5. Q.Me Place
6. San Joaquin College of Law
7. Worksafe, Inc.

All submissions were entered within one business day of the deadline. After considering the circumstances surrounding the late submissions, staff accepted all seven budget proposals for review. Staff will continue to report late submissions to the Committee. If staff notices a pattern of late submissions for one or more grantees, those submissions will be elevated to the Committee for review and decision.

In addition to the late submissions, four organizations submitted substantially incomplete budget proposals, such that staff was unable to perform a comprehensive review until the missing information was provided. Those organizations were:

1. California Collaborative for Immigrant Justice
2. La Raza Centro Legal
3. Social Justice Collaborative
4. Veterans Legal Institute

Staff provided technical assistance to these organizations and received appropriate follow-up and response. Further, staff will send a letter to the Executive Director of these organizations to emphasize the importance of complete submissions and indicate that the Committee may take further action should this issue recur in the future.

DEVIATIONS FROM RECOMMENDED EXPENSE RATIOS

Longstanding office practice requires 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 nine years. There is a similar requirement that employee benefits amount to no more than 40 percent as compared to salaries. Staff elevates all budgets that deviate from these allocations to the Committee for review and approval or revision.¹

The recommended expense ratios reflect the fact that these grants are devoted to provision of civil legal services to indigent persons for the grant period. Departures from the proposed expense ratios require grantees to explain their rationale for the use of the funds. They must also demonstrate how the increased allocation to administrative and/or nonpersonnel expenses would support their programmatic work and ultimately benefit clients and improve or expand service delivery.

Last year, when there was a large increase to 2024 IOLTA awards, the LSTFC discussed the possibility that grantees may need or want to utilize funds in a way that diverges from these outlined norms. While the Committee did not formally revise the recommended expense ratios, staff was mindful of examples previously discussed as reasonable bases for deviation, such as infrastructure spending and staffing challenges (e.g., hiring temporary staff to fill gaps left by vacant permanent roles) when reviewing 2025 budgets.

Deviation from Personnel/Nonpersonnel Allocations

Four organizations deviated from the recommended budget allocation of at least 75 percent to personnel in their budget proposals:

¹ There were no budget proposals that deviated from the recommended expense ratios regarding benefits as compared to salaries this year.

Organization	Grant	Personnel Percentage	Nonpersonnel Percentage	Narrative (from Organization)
Asian Pacific Islander Legal Outreach (APILO)	IOLTA	53.19%	46.81%	We have a mortgage with balloon payments in the coming years. We want to make payments on the mortgage to avoid future balloon payments. Our equipment and infrastructure has aged significantly. We need to refresh our equipment and infrastructure for staff to provide the best service.
Justice & Diversity Center of the Bar Association of San Francisco (JDC)	IOLTA	73.97%	26.03%	JDC shares executive and administrative staff with its sister organization, the Bar Association of San Francisco, by contract between the separate legal entities. These staff efforts are provided by contract and so are classified here as Administrative Non-Personnel costs; if they were counted as Administrative Personnel costs, overall Personnel costs would exceed 75% of the total budget allocation.
Riverside Legal Aid (RLA)	EAF	68.05%	31.95%	RLA uses the services of an outside attorney to provide specialized legal services to clients in the Coachella Valley for guardianships, conservatorships and small estates. He is paid a nominal hourly rate to provide these legal services to RLA clients. He has been a valuable asset to RLA for many years and provides his services on an as needed basis. Hypothetically, if the \$8,200 was included under personnel costs, RLA would meet the required percentage.
Southern California	IOLTA	70.93%	29.07%	SCIP has a relatively small staff (total employees 6) and we are already allocating 3 to the

Immigration Project (SCIP)				IOLTA/EAF grant. We have a substantial translation services budget and office rental which comprise a significant portion of our budget which make up the balance of the IOLTA request.
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APILO's request is primarily related to capital additions, which will be discussed further below. Staff does not recommend approving this deviation and instead recommends that the Committee direct APILO to revise its budget proposal to conform to the recommended budgeting ratio.

In the IOLTA/EAF budget forms, "Contract Service to Clients" falls under nonpersonnel expenses. Because JDC, RLA and SCIP provided a reasonable explanation for the deviation and how it will support ongoing civil legal services to indigent persons to utilize these contract services, staff recommends approving these deviations.

Deviation from Program/Administration Allocations

One organization deviated from the recommended budget allocation of at least 75 percent to program expenses in its budget proposals for both IOLTA and EAF:

Organization	Grant	Personnel Percentage	Nonpersonnel Percentage	Narrative (from Organization)
Family Violence Appellate Project (FVAP)	IOLTA	74.92%	25.08%	The Executive Director position accounts for 8% of this budget under "Administration" as they are not an attorney. However, the Executive Director's role is critical to the success of program staff and program delivery. Namely, they are responsible for governance, meeting contracted requirements, advocacy, and external relationship building with QLSPs and the DV community.
	EAF	74.98%	25.02%	

As the deviation is very slight and the explanation reasonable, staff recommends approval.

CAPITAL ADDITIONS

[Business and Professions Code section 6218](#) requires QLSPs to budget IOLTA/EAF funds "solely to defray the costs of providing legal services to indigent persons or for such other purposes" as permitted by statute (e.g., to fund a loan repayment assistance program administered by the California Access to Justice Commission). That same code section requires support centers to ensure that IOLTA/EAF "only be used to provide services to qualified legal services projects as

defined” by statute. As described in the Legal Services Trust Fund Program [Guidelines for Purchases of Real Property](#), budgeting for purchases of real property or significant real property-related capital additions requires Committee review to determine “that the proposed acquisition will enhance the operating ability of the Recipient” (versus functioning as an investment opportunity).²

One organization proposed real property-related capital additions under its IOLTA grant:

Organization	Grant	Amount Budgeted	Narrative (from Organization)
Asian Pacific Islander Legal Outreach (APILO)	IOLTA	\$500,000	year 1 amount for mortgage to avoid future balloon payments
		\$100,000	year 1 amount for needed infrastructure improvements

APILO budgeted \$600,000 total for capital additions (approximately 28 percent of its IOLTA grant).³ The explanation provided in the table—and similar language provided to explain the expense ratio deviation above—are the only details staff has obtained regarding this use of the funds. After an initial review of the 2025 IOLTA/EAF budget proposal, staff contacted APILO on October 4. APILO was informed that commission approval would be required. A copy of the Guidelines for Purchases of Real Property was attached, and the organization was referred to the budget instructions as well.

APILO’s resubmission of the budget did not include documentation for the prospective mortgage payments or types of infrastructure improvements contemplated. Nor did it provide additional detail to demonstrate how such expenditures would improve or enhance its operating ability in service to indigent Californians. Staff reiterated the need for documentation in a subsequent message on October 17 but has not yet received anything. Consequently, staff recommends that the Committee deny approval of these capital additions and direct APILO to revise its budget to devote the IOLTA funds to other work.

APPROVAL OF 2024 IOLTA/EAF BUDGET PROPOSALS

Staff is working with organizations to finalize any necessary changes and corrections to their budgets. After addressing the above questions, staff recommends that the Committee recommend approval of all 115 budgets to the LSTFC.

² Several 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.

³ The \$500,000 expenditure for a balloon mortgage payment was originally listed under Space cost. Staff informed APILO that it should be included as a capital addition. The budget has not been updated to recategorize the debt service payment as a capital addition, but staff believes this is how it should properly be attributed.

PREVIOUS ACTION

None

RESOLUTIONS

Should the Committee concur with staff's recommendations, it is:

RESOLVED, that the Legal Services Trust Fund Commission Eligibility and Budget Review Committee (Committee) approves the personnel/nonpersonnel expense ratio deviations submitted by Justice & Diversity Center of the Bar Association of San Francisco, Riverside Legal Aid, and Southern California Immigration Project; and the program/administration expense ratio deviations submitted by Family Violence Appellate Project, and it is

FURTHER RESOLVED, that the Committee denies the personnel/nonpersonnel expense ratio deviations and capital additions request submitted by Asian Pacific Islander Legal Outreach and recommends that the organization revise its budget to remove such expenditures, and it is

FURTHER RESOLVED, that the Committee recommends to the LSTFC approval of all 2025 IOLTA/EAF budgets from organizations listed in the November 1, 2024, meeting materials Attachment A, contingent upon satisfactory completion of any requested or required revisions by the time of the LSTFC's November 8, 2024, meeting.

ATTACHMENT(S) LIST

- A.** 2025 IOLTA/EAF Grant Recipients and Allocation Amounts

2025 IOLTA/EAF Grant Recipients and Allocation Amounts

Attachment A

#	Organization	Final IOLTA Grant Allocation	Final EAF Grant Allocation
1	Affordable Housing Advocates	\$51,404	\$6,425
2	Aids Legal Referral Panel	\$184,771	\$23,211
3	Al Otro Lado, Inc.	\$2,103,468	\$263,156
4	Alameda County Homeless Action Center	\$1,211,936	\$154,780
5	Alliance for Children's Rights	\$3,394,116	\$424,448
6	Asian Americans Advancing Justice Southern California	\$3,807,085	\$476,064
7	Asian Law Caucus	\$2,310,521	\$289,365
8	Asian Pacific Islander Legal Outreach	\$2,162,078	\$270,603
9			
10	Bet Tzedek Legal Services	\$7,900,538	\$988,007
11			
12	California Collaborative for Immigrant Justice	\$1,031,651	\$129,003
13			
14	California Rural Legal Assistance Foundation	\$1,718,248	\$217,921
15			
16	California Women's Law Center	\$1,718,248	\$217,921
17			
18	Casa Cornelia Law Center	\$1,849,094	\$231,279
19			
20	Center for Gender and Refugee Studies - California	\$1,718,248	\$217,921
21			
22	Center for Immigrant Protection dba The LGBT Asylum Project	\$55,065	\$6,898
23			
24	Central California Legal Services	\$7,663,765	\$959,386
25			
26	Child Care Law Center	\$1,718,248	\$217,921
27			
28	Community Lawyers Inc.	\$67,661	\$8,464
29			
30	Community Legal Services in East Palo Alto	\$1,305,715	\$163,681
31			
32	Dependency Advocacy Center	\$530,490	\$66,320
33			
34	Disability Rights Education and Defense Fund	\$1,718,248	\$217,921
35			
36	East Bay Community Law Center	\$1,054,015	\$134,610

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Attachment A

#	Organization	Final IOLTA Grant Allocation	Final EAF Grant Allocation
37	Elder Law & Advocacy	\$779,745	\$97,570
38	Elder Law and Disability Rights Center	\$280,006	\$35,015
39	Elevate Community Center	\$84,813	\$10,620
40	Eviction Defense Collaborative	\$795,944	\$99,766
41	Family Violence Appellate Project	\$1,718,248	\$217,921
42	Family Violence Law Center	\$197,061	\$25,167
43	Greater Bakersfield Legal Assistance	\$3,395,990	\$424,570
44	Harriett Buhai Center for Family Law	\$1,017,550	\$127,246
45			
46	Immigrant Defenders Law Center	\$8,784,637	\$1,098,738
47			
48	Immigrant Legal Resource Center	\$1,718,248	\$217,921
49			
50	Inland Counties Legal Services	\$13,193,882	\$1,650,604
51			
52	Inner City Law Center	\$5,363,615	\$670,746
53	Justice & Diversity Center of the Bar Association of San Francisco	\$1,364,547	\$88,089
54	Justice in Aging	\$1,718,248	\$217,921
55			
56	LACBA Counsel for Justice	\$759,947	\$95,032
57			
58	Lawyers' Committee for Civil Rights	\$1,880,648	\$236,405
59			
60	Legal Access Alameda	\$433,884	\$55,412
61			
62	Legal Aid Foundation of Los Angeles	\$9,713,051	\$1,214,667
63	Legal Aid Foundation of Santa Barbara County	\$1,054,960	\$131,890
64	Legal Aid of Marin	\$414,000	\$52,375
65			
66	Legal Aid Society of San Bernardino	\$4,139,800	\$517,710
67			
68	Legal Aid Society of San Mateo County	\$836,554	\$105,103
69			
70	Legal Assistance to the Elderly	\$317,438	\$39,792
71			
72	Legal Services for Children	\$255,038	\$31,995

2025 IOLTA/EAF Grant Recipients and Allocation Amounts

Attachment A

#	Organization	Final IOLTA Grant Allocation	Final EAF Grant Allocation
73	Legal Services for Prisoners with Children	\$1,718,248	\$217,921
74	Legal Services for Seniors	\$464,920	\$58,130
75	Legal Services of Northern California	\$9,265,690	\$1,163,136
76	Los Angeles Center for Law and Justice	\$1,189,659	\$148,776
77	Loyola Marymount University	\$1,580,474	\$197,647
78	McGeorge Community Legal Services	\$729,727	\$91,410
79	Mental Health Advocacy Services	\$841,991	\$105,297
80	National Center for Youth Law	\$1,718,248	\$217,921
81			
82	National Housing Law Project	\$1,718,248	\$217,921
83			
84	Oasis Legal Services	\$462,208	\$57,888
85			
86	Open Door Legal	\$389,690	\$48,839
87			
88	Public Advocates Inc.	\$2,277,018	\$285,209
89	Public Counsel	\$8,111,253	\$1,014,358
90	Public Interest Law Project	\$1,718,248	\$217,921
91			
92	Q.Me Place, Inc.	\$63,475	\$7,935
93			
94	San Diego Volunteer Lawyer Program	\$1,947,082	\$243,539
95			
96	San Luis Obispo Legal Assistance Foundation	\$545,830	\$68,240
97			
98	Santa Clara County Asian Law Alliance	\$482,390	\$60,310
99	Santa Clara University Alexander Law Center	\$185,250	\$23,160
100	Senior Adults Legal Assistance	\$143,660	\$17,960
101			
102	Senior Citizens Legal Services	\$517,516	\$64,901
103			
104	Southern California Immigration Project	\$190,325	\$23,831
105			
106	UC Davis School of Law Legal Clinics	\$1,399,389	\$175,302
107			
108	USD School of Law Legal Clinics	\$1,094,555	\$136,900

2025 IOLTA/EAF Grant Recipients and Allocation Amounts**Attachment A**

#	Organization	Final IOLTA Grant Allocation	Final EAF Grant Allocation
109	Ventura County Legal Aid, Inc.	\$169,779	\$21,292
110	Veterans Legal Institute	\$1,475,259	\$184,588
111	Wage Justice Center	\$302,299	\$37,803
112	Watsonville Law Center	\$382,830	\$47,870
113	Western Center on Law and Poverty	\$1,718,248	\$217,921
114	Worksafe, Inc.	\$1,718,248	\$217,921
115	Youth Law Center	\$1,718,248	\$217,921