



The State Bar of California

OPEN SESSION

AGENDA ITEM

7.1 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: Heidi Slater, Program Manager, Office of Access & Inclusion
Michael Cheng, Program Supervisor, Office of Access & Inclusion
Janet Guan, Financial Analyst, Office of Access & Inclusion

SUBJECT: Action on Unreported 2022 and 2023 IOLTA and EAF Grant Budget Deviations

EXECUTIVE SUMMARY

Legal Services Trust Fund Program General Grant Provision (General Grant Provision) 10.01 requires grants to close as promptly as feasible after expiration or termination. General Grant Provision 7.01 states that recipients shall not materially deviate from their approved budget without prior written approval. During the 2022 and 2023 IOLTA and EAF grant closeout process, State Bar staff (staff) identified five 2022 IOLTA grants, seven 2022 EAF grants, four 2023 IOLTA, and six 2023 EAF grants that deviated from their approved budget by more than allowable without requesting a budget modification. This memo describes staff's recommendation to the Eligibility and Budget Review Committee (committee) to approve the late budget deviations.

RECOMMENDED ACTION

Staff recommends that the committee recommend to the Legal Services Trust Fund Commission (LSTFC) that it approve all 2022 and 2023 IOLTA and EAF budget deviations.

DISCUSSION

2022 IOLTA and EAF grants were awarded to 102 grantees; 2023 IOLTA and EAF grants were awarded to 101 grantees. 2022 IOLTA grants ended on December 31, 2022 and were allowed a carryover period of 12 months if approved. 2022 EAF grants ended on December 31, 2023 and

were allowed a carryover period of six months if approved. Both 2023 IOLTA and EAF grants ended on December 31, 2023; each grant was allowed a carry-over period of six months if approved. The deadline for 2022 IOLTA budget revisions was January 31, 2023. The deadline for 2022 EAF budget revisions and carryover requests, 2023 IOLTA budget revisions, and 2023 EAF budget revisions was January 31, 2024. The final deadline for both 2022 and 2023 IOLTA and EAF expenditure reports was February 2, 2024. Grantees were required to report total grant expenditures by budget line-item and identify unspent funds to be remitted to the State Bar. Staff also used this report to compare grantees' line-item spending to their approved budget to identify any unapproved budget deviations.

According to the LSTFC's Functional Matrix, budget modifications that are 10 percent or less than the total award are permissible deviations. During the grant period, staff may approve budget modification requests that are between 10 and 25 percent of the total award, and budget modifications equal to or greater than 25 percent require LSTFC approval.

Staff reviewed the IOLTA and EAF expenditure reports for all 2022 and 2023 IOLTA and EAF grants. Through its review of 2022 IOLTA and EAF grants, staff identified eight grantees with budget deviations greater than 10 percent. Five 2022 IOLTA grants and five 2022 EAF grant budget deviations were between 10 percent and 25 percent; one 2022 EAF grant budget deviation was above 25 percent which would have required LSTFC approval. Through its review of 2023 IOLTA and EAF grants, staff identified nine grantees with budget deviations greater than 10 percent. Four 2023 IOLTA grants and five 2023 EAF grant budget deviations were between 10 percent and 25 percent; one 2023 EAF grant budget deviation was above 25 percent which would have required LSTFC approval. As Tables 1 and 2 demonstrate, nineteen budget deviations were between 10 and 25 percent, and two were greater than 25 percent. Both tables also note IOLTA and EAF grant closeout overviews and explanations for budget deviations without prior approval.

Table 1. Unapproved 2022 IOLTA and EAF Budget Deviations

Grantee	IOLTA or EAF	Deviation Amount	Deviation Percent	Impacted Line Items	Grantee Explanation
Asian Americans Advancing Justice Southern California	EAF	\$93,098	10.01%	Increased Paralegals, decreased non-personnel expenditures	Rounding from 10.009%.
Community Lawyers Inc.	IOLTA	\$1,316	18.00%	Increased Lawyers, decreased Paralegals	Staff transitions, did not realize a revision was required.
	EAF	\$2,153	17.99%	Increased Lawyers,	Staff transitions, did not realize a revision was required.

Grantee	IOLTA or EAF	Deviation Amount	Deviation Percent	Impacted Line Items	Grantee Explanation
				decreased Paralegals	
Justice in Aging	EAF	\$108,164	27.28%	Increased Other Staff, decreased Lawyers	Limited Finance staff capacity, did not realize a revision was required.
La Raza Centro Legal	IOLTA	\$1,455	16.39%	Increased Paralegals, decreased Lawyers	Utilized more Paralegals than Lawyers, did not realize a revision was required.
	EAF	\$1,521	10.46%	Increased Paralegals, decreased Lawyers	Utilized more Paralegals than Lawyers, did not realize a revision was required.
Legal Aid of Marin	IOLTA	\$6,912	10.56%	Increased non-personnel expenditures, decreased Paralegals	Cited current General Grant Provisions re. material budget deviations, did not realize a revision was required.
Public Law Center	IOLTA	\$152,86	20.66%	Increased Lawyers and some non-personnel expenditures, decreased Paralegals and some non-personnel expenses	Did not realize a revision was required.
	EAF	\$204,780	16.89%	Increased Paralegals and some non-personnel expenditures, decreased some non-personnel expenses	Did not realize a revision was required.
Riverside Legal Aid	IOLTA	\$47,405	16.14%	Increased Lawyers and Other Staff, decreased non-personnel expenditures	Staff transitions, did not realize a revision was required.

Grantee	IOLTA or EAF	Deviation Amount	Deviation Percent	Impacted Line Items	Grantee Explanation
San Luis Obispo Legal Assistance Foundation	EAF	\$14,306	14.08%	Increased Other Staff, decreased Paralegals	Miscategorized expenses for Paralegals and Other Staff, SmartSimple did not show approved revised budget.

Table 2. Unapproved 2023 IOLTA and EAF Budget Deviations

Grantee	IOLTA or EAF	Deviation Amount	Deviation Percent	Impacted Line Items	Grantee Explanation
Aids Legal Referral Panel	EAF	\$3,045	13.23%	Increased Other Staff - Coordinators, decreased Lawyers	Did not realize a revision was required.
Bet Tzedek Legal Services	EAF	\$152,636	14.80%	Increased Paralegals, Other Staff, and Other Non-Personnel, decreased Lawyers and Non-Personnel Admin expenditures	Unexpected turn over of Attorney staff and longer than expected back fill required shift to Paralegals and Other Staff. Also, original budget erroneously excluded budget amounts for Paralegal staff. Did not realize a revision was required.
California Indian Legal Services	EAF	\$21,593	10.95%	Increased Lawyers, decreased Paralegals, Other Staff, and Employee Benefits	Projects required added attorney staff hours to ensure completion.
La Raza Central Legal	EAF	\$3,483	19.39%	Increased Paralegals, decreased Other Staff	Utilized more Paralegals than Lawyers, did not realize a revision was required.
	IOLTA	\$5,592	19.38%	Increased Paralegals, decreased Other Staff	Utilized more Paralegals than Lawyers, did not realize a revision was required.

Grantee	IOLTA or EAF	Deviation Amount	Deviation Percent	Impacted Line Items	Grantee Explanation
Legal Aid Foundation of Los Angeles	IOLTA	\$181,288	11.22%	Increased Lawyers, decreased Paralegals and Other Staff	Experienced understaffing in attorney positions which required a shift to paralegals and case managers with supervision by attorneys. Did not realize a revision was required.
Legal Aid Society of San Bernardino	IOLTA	\$122,467	22.06%	Increased Paralegals, decreased Lawyers, Other Staff, Employee Benefits, and Evaluation expenditures	Significant shift in expenditures to Paralegal staff was a necessary adaptation to meet the increasing demand for legal services in rural San Bernardino and Riverside Counties. Mistakenly believed that the prior modification submitted in February 2024 for EAF also included the IOLTA revision.
Public Counsel	IOLTA	\$256,021	14.02%	Increased Lawyers, decreased Paralegals and Other Staff	Increased activity realized for Attorney time as well as increased salaries. There was a misunderstanding on how the budget deviation was measured.
Worksafe, Inc.	EAF	\$28,219	12.54%	Increased Other Staff, Admin – Non-Personnel, decreased Lawyers, and Employee Benefits	Difficulty in finding qualified staff, resulting in temp staff support and Admin personnel. In addition, due to the turnover of the operations team, did not have sufficient time to review records

Grantee	IOLTA or EAF	Deviation Amount	Deviation Percent	Impacted Line Items	Grantee Explanation
					in order to meet the Budget Revision deadline.
Youth Law Center	EAF	\$58,280	25.90%	Increased Lawyers and Contract Services to Clients, decreased Paralegals	A carryover for EAF was submitted and approved. However, a Budget revision for EAF was not completed as it was mistaken that this could be done at year end.

Table 1 and Table 2 summarize the line-items impacted by each grant's budget deviation and explanations from each grantee regarding why they did not submit a budget revision request. Generally, grantees reported that they did not submit a budget revision request because of an oversight, because they did not realize it was necessary, or due to organizational changes. Many grantees detailed corrective actions they have already undertaken to safeguard against unreported budget deviations in the future. Staff recommend approving all unreported budget deviations.

PREVIOUS ACTION

None

FISCAL/PERSONNEL IMPACT

None

AMENDMENTS TO RULES

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

None – core business operations

RESOLUTIONS

Should the committee concur, passage of the following resolution is recommended:

RESOLVED, that the Legal Services Trust Fund Commission (LSTFC) Eligibility and Budget Review Committee recommends that the LSTFC approve the twelve unreported 2022 and ten unreported 2023 IOLTA and EAF grant budget deviations as described herein.