



Elaine M. Howle *State Auditor*

CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

State Bar of California

It Should Balance Fee Increases With Other Actions to Raise Revenue and Decrease Costs

Background

State law requires every person practicing law in California to hold a license from the State Bar of California (State Bar). More than 250,000 attorneys (active and inactive licensees) support the State Bar through fees, such as a licensing fee that the Legislature sets annually. The State Bar is responsible for protecting the public by licensing and regulating individuals practicing law in California and maintaining an attorney discipline system to investigate and adjudicate complaints of attorney misconduct.

Key Recommendations

- The Legislature should do the following:
 - » Set State Bar’s 2020 fees at the amounts we recommend in the table—\$525 in total.
 - » Adopt a multiyear fee-approval cycle that includes fee reviews and a fee cap for a three-year period to enable State Bar to anticipate consistent revenue and allow its members to plan for future expenses.
- State Bar should continue to annually prepare five-year projections to enable it to effectively determine its budget.

Key Findings

- State Bar’s proposed fee increase for 2020 would more than double the total annual mandatory fees each active licensee currently pays. It proposed increasing several of its annual mandatory fees to amounts that would fund current operations, allow for growth in 2020, and generate revenue to fund special projects planned through 2024.
 - » It planned to hire 58 new staff to perform discipline activities in 2020; however, we believe it should add only 19 new staff in 2020 due to recent changes to its business processes.
 - » It proposed a one-time \$250 special assessment fee to fund IT projects and make capital improvements over a five-year period, but the fee could be spread over five years.
 - » It overestimated the Client Security Fund’s needs—the increase would fund all the current pending claims it expects to pay, regardless of when it will actually pay them, as opposed to funding only those claims it will likely pay in 2020.
- State Bar’s current fee-approval process is inadequate and has contributed to the misalignment of its fees with its costs and thus to the necessity for a substantial fee increase.

State Bar’s Proposed Mandatory Fee Increases for 2020 Active Licensees Are Higher Than Necessary

MANDATORY FEE	2019 CURRENT FEE	2020 STATE BAR PROPOSAL	2020 STATE AUDITOR RECOMMENDATION
Licensing	\$308	\$408	\$379
Discipline	25	25	25
Special Assessment			
IT projects	0	82	22
Capital improvements	0	134	16
Rebuild general fund reserve	0	34	3
Subtotals	0	250	41
Client Security Fund	40	120	80
Lawyer Assistance Program	10	10	0
Totals	\$383	\$813	\$525

Proposal More Than Doubled Current Fee