

**Analysis of the  
1988 State Bar Association Budget**

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# Introduction

The State Bar was established by the State Constitution as a public corporation in the Judicial branch of government. Membership in the bar is required in order to practice law in California. The bar administers programs to examine and admit applicants to the bar, enforce rules of professional conduct, regulate attorney referral services, improve the quality and availability of legal services, and educate the public.

State law requires the State Bar of California to submit its budget annually to the Legislature for review and approval along with consideration of the annual bill that authorizes the assessment of fees for bar members.

Our office has prepared the following analysis of the 1988 calendar year budget proposed by the bar in order to facilitate the Legislature's review of legislation establish-

ing the level of fees for bar members for calendar 1988. The bar advises that its 1988 budget is based on the level of revenues which would be generated by the fees proposed in Senate Bill 457 (Keene), as amended on March 23, 1987. Assembly Bill 1994 (McClintock), as amended on May 5, 1987, proposes an alternative level of fees for 1988.

This analysis focuses on proposed expenditures from the General Fund and the Building Fund because those were the only funds for which the bar provided sufficient budget detail for review. The analysis, therefore, excludes expenditures proposed for various other funds administered by the bar, such as the Admissions and Client Security Funds.

This report was prepared by Jarvio Grevious under the supervision of Cheryl Stewart.

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**General Fund Budget Proposal**

Proposed 1988	\$27,671,000
Estimated 1987	24,443,000
Actual 1986	20,117,000
Requested increase \$3,228,000 (+13.2 percent)	
Total recommended reduction	\$1,223,000

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# Summary of Major Issues and Recommendations

## General Fund

If the following three General Fund budget reductions are approved by the Legislature, the bar's budget proposal would be reduced by \$1,223,000 to a total of \$26,448,000. We estimate that in order to fund this reduced budget level, only a \$1 increase in fees would be required, for those attorneys who have been bar members for over three years, in contrast to the bar's proposed \$6, \$7, and \$15 increases for each of its three membership categories.

**1. Emergency Reserve.** Recommend deletion of \$623,000 proposed for an emergency reserve because it represents contingency budgeting. Recommend that the proposed fee increase be reduced accordingly.

**2. Personnel Costs.** Recommend that salary savings be increased by \$500,000 in order to more closely approximate historical levels

of such savings. Recommend that the proposed fee increase be reduced accordingly. Further recommend that the Legislature direct the bar to implement a position control system and conduct a workload study in order to determine its actual staffing needs and to provide a basis for evaluating future personnel requests.

**3. Technical Budgeting Error.** Recommend deletion of \$100,000 budgeted in error for depreciation expenses. Recommend that the proposed fee increase be reduced accordingly.

## Building Fund

**4. Los Angeles Building Program.** Recommend that the Legislature require the bar to submit its preliminary building plan for leg-

islative approval before the bar proceeds with the working drawing phase of this project because such a commitment potentially impacts future fee levels.

**5. Building Fund.** Recommend that the Legislature amend the law to limit the use of the bar's Building Fund solely to support the costs of the Los Angeles building program and major capital improvements.

## **Budget Process**

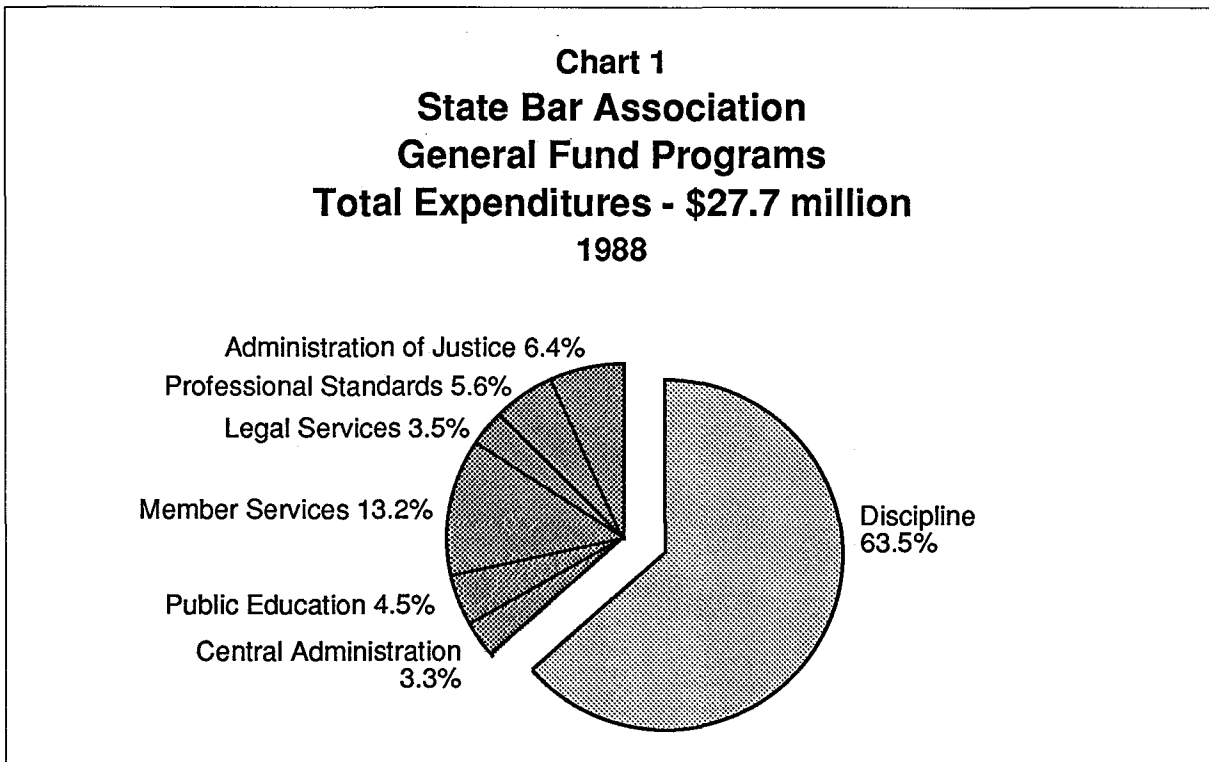
**6. Timeliness.** Recommend that the bar report to the Legislature at budget hearings on its progress in accelerating the budget development cycle.

**7. Completeness.** Recommend that the Legislature amend current law to clarify that the bar's budget is to include all programs and funds.

# General Fund Overview

The major components of the bar's proposed 1988 General Fund budget are shown in Chart 1.

The budget proposes an expenditure of \$27,671,000 from the bar's General Fund and reimbursements in calendar year 1988. This



is an increase of \$3,228,000, or about 13 percent, above estimated expenditures in 1987. Table 1 provides a summary of the bar's expenditures and staffing levels by program for the past, current, and budget years.

The bar expects to support its increased expenditures in 1988 primarily with a \$2.3 million increase in fees charged to members, and \$1.1 million of revenues available from prior years. The revenues from prior years

**Table 1**  
**State Bar Association**  
**General Fund Budget Summary**  
**1986 through 1988**  
**(dollars in thousands)**

	<i>Actual</i> 1986	<i>Estimated</i> 1987	<i>Proposed</i> 1988	<i>Percent</i> <i>Change From</i> 1987
<b>Expenditures</b>				
Discipline and Adjudication	\$11,609	\$15,296	\$17,580	14.9%
Administration of Justice	1,340	1,628	1,768	8.6
Professional Standards	1,208	1,373	1,546	12.6
Legal Services Delivery	781	833	964	15.7
Member Services	3,308	3,365	3,665	8.9
Public Education	945	1,061	1,245	17.3
Administration Support	926	887	903	1.8
<b>Totals</b>	<b>\$20,117</b>	<b>\$24,443</b>	<b>\$27,671</b>	<b>13.2%</b>
<b>Staffing<sup>a</sup></b>				
Discipline and Adjudication	196.10	266.65	266.65	0.0%
Administration of Justice	16.96	17.89	17.89	—
Professional Standards	25.54	23.35	23.35	—
Legal Services Delivery	14.60	13.46	14.00	4.0
Member Services	32.51	30.86	30.86	—
Public Education	12.34	11.22	11.22	—
Administration Support	104.71	114.50	115.00	0.4
<b>Totals</b>	<b>402.76</b>	<b>477.93</b>	<b>478.97</b>	<b>0.2%</b>

<sup>a</sup> The 1987 and 1988 figures represent the number of staff positions authorized by the bar's Board of Governor's. They do not represent the number of positions filled, nor do they reflect the fact that some of the positions are not authorized for an entire year.

are available due to higher-than-expected salary savings, and reductions in various operating expense items to be imposed by management in 1987. These savings are dis-

cussed in detail later in the analysis. Table 2 shows the estimated changes in General Fund revenues.

**Table 2**  
**State Bar Association**  
**General Fund Revenues**  
**1986 through 1988**  
**(dollars in thousands)<sup>a</sup>**

<i>Revenues</i>	1986	1987	1988	<i>Percent Change From 1987 to 1988</i>
Membership Fees	\$16,151	\$20,416	\$22,722	11.3%
Law Corporation Fees	495	538	455	-15.4
Interest Earnings	642	584	630	7.9
Advertising Income	736	721	757	5.0
Sales of Pamphlets and Opinions	138	89	86	-3.4
Practical Training Fees	33	63	30	-52.4
Convention Income	261	242	225	-7.0
Miscellaneous Income	122	94	96	2.1
Prior-year Balances Available	1,595	1,347	1,141	-6.9
Unexpended balances	(1,347)	(1,141)	0	—
Reimbursements from Other Funds	1,296	1,489	1,529	2.7
<b>Totals</b>	<b>\$20,122</b>	<b>\$24,443</b>	<b>\$27,671</b>	<b>13.2%</b>

<sup>a</sup> Detail may not add to totals due to rounding.

The largest program operated by the bar is discipline. Because the discipline program has been of significant interest to the Legislature, we note in this section several *fiscal* aspects of the program, including staff expansion and the use of fee revenues authorized specifically for support of the discipline program.

We did not thoroughly evaluate the program in this analysis because, pursuant to the requirements of Ch 1114/86 (SB 1543, Presley), the Attorney General has appointed a discipline monitor to conduct such an evaluation. The monitor's first report is due to the Legislature by June 1, 1987.

**Staff.** In addition to the 257 staff included in its 1987 budget for the discipline program, the bar indicates that it will redirect resources in order to provide approximately 10 additional investigator positions in the current year, at a cost of \$320,000. These positions are expected to be filled in mid-1987. An additional \$180,000 is proposed in the 1988 budget to cover the full-year costs of these positions. The objective of this staffing augmentation is to allow the bar to eliminate, by December 31, 1987, all complaint cases over six months old.

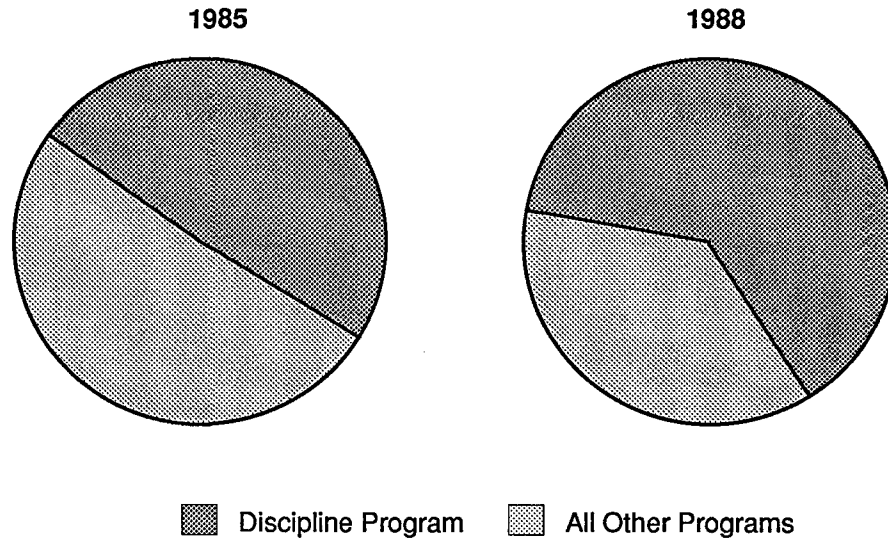
The bar proposes to continue the positions in 1988 to accommodate expected increases in complaint workload.

**Discipline Fees.** Our review found that the revenues authorized by Ch 1510/86 (AB 3758, Calderon), specifically for the discipline program appear to have been allocated to the program in the current year. Chapter 1510 authorized the bar to assess members an additional \$25 annual fee for support of the discipline program. By our calculations, if the discipline program had received its proportionate share of the general fee increase as well as the specific discipline fee revenue it would have been allocated \$3.5 million in 1987. The actual budget increase provided for the discipline program in 1987 totaled \$3.7 million. Consequently, it appears that the program has been allocated the additional funding authorized by the Legislature.

The bar states that the discipline program is its highest budget priority. In 1985, the bar allocated about 48 percent of its General Fund budget to the discipline program. For 1988 it proposes to allocate about 64 percent to this program. Chart 2 illustrates the increased fiscal priority placed on discipline by the bar.



**Chart 2**  
**State Bar Association**  
**General Fund Budget Allocation**



# Analysis and Recommendations

## General Fund

The proposals which account for the increase in the bar's General Fund expenditures for 1988 are listed in Table 3 and discussed below.

**Salary Increases.** The bar estimates that its labor costs will increase by \$1,911,000 in 1988 due to a memorandum of understanding that was adopted this year. The agreement calls for a 4 percent across-the-board wage increase on January 1, 1988 and another 4 percent in October 1, 1988. Of the total budget increase requested, \$1,321,000 is attributable to the across-the-board wage increases, and \$590,000 is due to the estimated cost of a merit program that begins in 1987.

**Computer lease savings.** The bar has successfully negotiated a less costly lease agreement for computing services. This will result in a \$325,000 savings in 1988.

**Full-year cost of staff added in 1987.** In the current year, the bar authorized an additional 10 staff positions for the investigations unit in the discipline program at a cost of \$320,000. It also authorized seven positions to augment personnel administration and recruiting at a cost of \$179,000. Because these positions have been added on a partial-year basis in the current year, the budget requests an additional \$407,000 to support the full-year costs of these positions in 1988.

**Other proposals.** The bar proposes \$112,000 for various increased costs and budget adjustments in 1988. These costs include additional costs for word processing equipment, increased rent, equipment replacement, and minor workload and budget adjustments.

Table 3  
State Bar Association  
Proposed 1988 General Fund Budget Changes  
(dollars in thousands)

1987 Expenditures (estimated)		\$24,443
Proposed Changes		
Salary Increases	\$1,911	
Computer Lease Savings	(325)	
Full-Year Costs of Staff Added in 1987	407	
Other	112	
Emergency Reserve	623	
Salary Savings Adjustment	500	
Total Proposed Changes		\$3,228
1988 Expenditures (proposed)		\$27,671

## Emergency Reserve

*We recommend deletion of \$623,000 proposed for an emergency reserve because it represents contingency budgeting. We further recommend that the proposed membership fee increase be reduced accordingly.*

The bar proposes to budget \$623,000 as a reserve for emergencies in 1988. According to the bar, potential emergencies in 1988 include (1) costs of new programs approved by the bar's Board of Governors, (2) cost overruns in existing bar programs, and (3) possible legislation imposing costs in 1987 or 1988. Our analysis indicates that the proposed reserve is unjustified for several reasons.

First, the Legislature's general policy has been to disapprove requests for contingency budgeting. This budgeting practice reduces the Legislature's ability to oversee an agency's expenditure plan. An emergency reserve can be spent for programs which may not reflect the Legislature's priorities. Moreover, to the extent that line managers are aware of this reserve, it reduces their incentive to control costs.

Second, our analysis indicates that the bar does not need a reserve because it has a considerable ability to control both its expenditures and its revenues. Many of the bar's programs, unlike those of most state agen-

cies, are not determined by statute, but instead are established at the direction of the bar's Board of Governors. The board can, if necessary, exercise considerable management discretion to redirect funds among its programs, reduce program activities or otherwise revise its budget in order to balance it. In addition, the fees paid by the members which represent about 90 percent of the General Fund revenues available to the bar, are a very stable source of revenue. Unlike most state revenues, they are not subject to fluctuations in the economy.

Third, our analysis suggests that the bar has sufficient flexibility in its budget to operate without a reserve. In the past, the bar has been able to generate significant amounts of savings not anticipated in its budget. In 1985, for example, the bar generated savings of \$1.6 million in various expenditure items. In 1986, \$1.4 million was saved. The bar estimates that it will save about \$1.1 million in 1987. The bar routinely carries these funds over into the following year for expenditure.

The composition of the savings in 1985 and 1986, and the savings estimated for 1987 is shown in Table 4. Despite the fact that the bar has realized savings of over \$1 million in each of these years, the bar assumes it will achieve no savings in 1988.

**Table 4**  
State Bar Association  
Source of Budget Savings  
1985 through 1987  
(dollars in thousands)<sup>a</sup>

	1985	1986	1987 Estimated	1988 Proposed
Personnel (excess salary savings)	\$632	\$1,274	\$500	—
Travel	124	159	210	—
Supplies, Phone, Postage	44	140	165	—
Insurance	279	135	—	—
Rents and Maintenance	35	59	—	—
Furniture and Equipment	195	(50)	—	—
Revenue Adjustments	97	(37)	—	—
Internal Allocations	95	(164)	—	—
Professional Services (primarily contracts)	(156)	(369)	—	—
Depreciation Adjustments	250	200	—	—
Unidentified	—	—	266	—
<b>Totals, Annual Savings</b>	<b>\$1,595</b>	<b>\$1,347</b>	<b>\$1,141</b>	<b>0</b>

<sup>a</sup> Detail may not add to totals due to rounding.

Numbers in parentheses are cost overruns or overestimates of revenue which partially offset total savings.

Finally, if the Legislature is concerned about the bar's ability to implement new legislative requirements, there are several alternatives to budgeting a separate reserve for this purpose: (1) The legislation could appropriate from the state General Fund as a loan to cover initial costs, and require the bar to repay that amount (with interest) following enactment of the next member fee bill; (2) The legislation could require the bar to redirect funds from existing programs to finance the initial costs, and authorize a fee increase to support future-year costs; (3) The legislation could be drafted to take effect *after* the next fee bill is enacted, so that the cost of a new program could be financed through fee increases.

Based on the bar's history of major annual budget savings and the fact that the bar's request represents contingency budgeting, we cannot recommend approval of the proposed reserve. We, therefore, recommend that \$623,000 be deleted from the bar's budget and that the proposed increase in member fees be reduced accordingly.

## Personnel Costs

*We recommend that \$500,000 requested to reduce the level of anticipated salary savings be deleted because it is unjustified. We recommend that the proposed member fee increase be reduced accordingly.*

*We further recommend that the Legislature direct the bar to implement a position control system and conduct a workload study to determine its actual staffing needs and to serve as a basis for evaluating future personnel requests.*

All state agencies experience savings because of vacancies in authorized positions, staff turnover, delays in filling new positions, and filling positions at the first step of the salary range. Since the magnitude of these savings generally is somewhat predictable, based on past patterns, an amount equal to the estimated savings is deducted from the budget for salaries and wages.

The bar proposes to increase its personal services budget in 1988 by \$500,000 to reduce its salary savings rate from the current-year level of \$2 million (12 percent), to approximately \$1.5 million (8 percent). The bar, however, has not provided any information demonstrating that the current salary savings rate is adversely affecting its programs, or that there is a *need* to reduce it.

**Analysis.** Our review indicates that the bar historically realizes salary savings which significantly exceed the amount anticipated in the budget. For example, the bar realized \$632,000 of such excess salary savings in 1985, and \$1,274,000 in 1986. Based on the experience in the first three months of this calendar year the bar expects its salary savings for the full year to exceed the amount originally projected by \$500,000.

This pattern of underestimating salary savings suggests that the bar is overbudgeting its personnel costs. Our analysis indicates that the bar may be authorized more positions than it needs. Information from the bar indicating that it has met its program goals despite the large number of vacancies, supports this conclusion. The bar advises that it fully expects to meet the program goals established by the Legislature for the discipline program. Specifically, it expects to be able to initiate an investigation of all complaints within 180 days of receipt by December 31, 1987. The bar has not produced any evidence of adverse effects on programs resulting from staff vacancies.

The actual staffing needs of the bar cannot be evaluated until the bar establishes adequate position controls and workload standards. When this analysis was prepared, the bar did not know how many of the authorized positions in each program, or in total, were actually filled. The bar does not maintain a position control system that collects this information. In addition, the bar does not maintain workload standards which would allow its own management, much less the Legislature, to determine appropriate program staffing levels.

**Recommendation.** We recommend that \$500,000 be deleted from the 1988 budget for the following reasons. First, the bar has been meeting its program goals despite the excess salary savings. Second, it is premature to augment the personal services budget at this time because we do not know what the current staffing levels actually are, or what they appropriately should be. We recommend that the proposed member fee increase be reduced accordingly.

In addition, in order to determine the actual staffing needs of the bar and to serve as a basis for evaluating future personnel requests, we further recommend that the Legislature direct the bar to implement a position control system and develop a comprehensive workload analysis for each of its major programs by November 15, 1987. The evaluation should include the (1) specific goals of each program, (2) major activities required to achieve these goals, and (3) specific workload standards which determine the numbers and classifications of staff required to conduct these activities.

### Technical Budgeting Error

*We recommend deletion of \$100,000 incorrectly budgeted for depreciation expenses. We recommend that the proposed fee increase be reduced accordingly.*

Our analysis of the bar's budget indicates that it has overbudgeted its request for operating expenses and equipment by \$100,000 in 1988. Our review of the bar's budget schedules found that it incorrectly budgeted for depreciation expenses. To correct for this error, we recommend that \$100,000 be deleted from the 1988 budget and that the proposed fee increase be reduced accordingly.

### Building Fund

The Building Fund was established to allow the bar to acquire and maintain its own buildings. Revenues to the fund are generated from a \$10 annual fee charged to all members.

The bar estimates that this fee will generate \$1,047,000 in revenues to the fund in 1988. This is an increase of \$30,000, or 3 percent, over 1987 revenues.

### Los Angeles Building Program

*We recommend that the Legislature amend current law to require the bar to submit its preliminary building plan to the Legislature for review and approval before the bar proceeds with the working drawing phase of the project.*

The bar's Board of Governors recently approved a program to construct additional office space for bar staff in Los Angeles. The initial plan calls for construction of a six-story building of 115,000 gross square feet of office space, and additional space for parking about 460 cars. This building would be constructed on a lot currently occupied by the bar's two-story office building. The existing structure, totaling about 37,000 square feet, currently is not occupied due to fire damage.

The bar is planning the new building to accommodate its projected space needs over the next 10 years. The financing for this project is expected to be provided from the \$10 per member Building Fund fee authorized by current law. The bar indicates that it intends to plan the building and the financing to match the level of funds that will be obtained from this source.

Our analysis indicates that it would be cost-effective for the bar to own its building, particularly in the long run, rather than continuing to lease office space. According to the bar's planning data, the *initial* costs of operating its own building would be \$22 per square foot compared to \$20 per square foot for leasing. By the end of 15 years, however, the costs of operating its own building would be substantially less than the costs of leasing, due to price increases. There would, of course, be the additional advantage that the bar would own its building after it has paid off the building loan.

In our judgment, the Legislature should have an opportunity to review and approve the preliminary plan for constructing this building because it represents a major expenditure that could impact the level of member fees in the future. The bar has not yet developed preliminary plans and cost estimates for the project. We cannot, therefore, at this time evaluate whether the bar's proposal can indeed be funded from the \$10 building fee.

Legislative review of preliminary plans would help to ensure that (1) the project can be financed by the existing Building Fund fee, (2) less costly options are considered, and (3) the plan does not include unnecessary expenditures. Such a review would be similar to that required for most state agencies' construction projects.

We recommend therefore that the Legislature amend the dues bill to specify that no Building Fund fee revenues may be expended for an agreement for the construction of a building in Los Angeles prior to review and approval of the proposal by the Legislature. This language would require the bar to submit preliminary plans, including the bar's analysis for funding the costs within the current fee level, for review and approval by the Legislature *before* the bar proceeds with the working drawing phase of the project. The suggested statutory amendments needed to implement this recommendation are on page 14.

## **Building Fund Expenditures**

*We recommend that the Legislature amend the law to limit the use of the bar's Building Fund solely to support the costs of the Los Angeles building program and major capital improvements.*

Section 6140.3 of the Business and Professions Code authorizes the use of the bar's Building Fund for a variety of building-related expenses. Currently, the bar advises that the revenues in the fund will be used for the Los Angeles building program. As initially submitted to us, however, the bar's budget showed Building Fund expenditures for office furniture, dictaphones, typewriters, computers and other office equipment, in addition to items generally considered capital improvement and maintenance.

We find no justification for levying a special building fee to finance expenditures for office equipment and furniture, even though the current statute appears to authorize such expenditures. These purchases are more appropriately financed from the bar's General Fund revenues. Consequently, we recommend that the Legislature amend the dues bill to limit the use of the Building Fund fees to the costs of the specific building program in Los Angeles and for major capital improvements. This change in law would be consistent with the bar's current intent for the use of the fund. The statutory amendments on the following page would implement these recommendations.

## Proposed Amendment to Section 6140.3 of the Business and Professions Code

### Section 6140.3. Increases in membership fees

~~“(a) The board may increase the annual membership fee fixed by subdivision (a) of Section 6140 and the annual membership fee specified in Section 6141 by an additional amount not exceeding ten dollars (\$10). This additional amount may only be applied to the cost of land and buildings to be used to conduct the operations of the State Bar, including furniture, furnishings, equipment, architects’ fees, construction and financing costs, landscaping, and other expenditures incident to the acquisition, construction, furnishing, and equipping of the land and buildings, the payment of interest on and the repayment of moneys borrowed for those purposes, and the reimbursement of the State Bar’s treasury for funds expended for those purposes. be~~

*used only to support (1) the costs of financing and constructing a facility in Los Angeles to house State Bar staff and (2) for any major capital improvement projects related to facilities owned by the bar.”*

Add paragraph (b):

*“(b) Prior to entering into any agreement for the construction of a building in Los Angeles, the State Bar shall submit its preliminary plan and cost estimate for such building to the Legislature for review and approval. The documents submitted shall include an analysis demonstrating that the total costs of financing and constructing the building can be supported by the revenues authorized by this section.”*

## Budget Process Needs Improvement

For the past two years, state law has provided for review of the bar's budget by the Legislature. In our judgment, the quality of the budget material submitted by the bar this year for the 1988 budget was much improved over that submitted last year for the 1987 budget. However, in order to facilitate the Legislature's review of the budget in the future, we have several recommendations for improving the timelines and completeness of the bar's budget submission.

### Timeliness

*We recommend that the State Bar report at budget hearings on its progress in developing the 1989 budget for submission to the Legislature by November 15, 1988 as required by law.*

We are concerned about the bar's failure to meet the statutory deadlines for budget submission. Specifically, Section 6140.1 of the Business and Professions Code requires the bar to submit its baseline budget to certain committees of the Legislature by November 15, and its proposed final budget by February 15. The bar submitted its 1988 baseline budget on March 10, 1987 and a revised budget on April 13. Thus, the baseline budget was submitted four months after the statutory deadline, and the final budget was two months late.

The late submission of the budget diminishes the usefulness of the document to the Legislature. Because the legislative hearings on the dues bill usually begin in March, the late submission of the budget results in the Legislature initially acting on the bill without having an opportunity to review the bar's budget. Moreover, the late submission results in an analysis of the budget which is not as thorough as it otherwise could be. The bar states that the lateness of the budget results primarily from having to conform its internal budget development process to the timelines required by the Legislature. Based on two

years of transition experience, the conformity issue should be close to resolution.

To ensure that the bar is making adequate progress towards meeting the November 15 deadline for submission of its 1989 budget, we recommend that the bar report to the Legislature on its progress in meeting this requirement.

### Completeness

*We recommend that the Legislature amend the law to clarify that the budget submission should include expenditures and revenues associated with all programs and funds administered by the bar.*

The 1988 budget submitted by the bar consisted primarily of data on its General Fund revenues and expenditures. The budget, for example, did not include any detail on approximately \$15 million in revenues and expenditures for the Legal Services Trust Fund, nor did it include information on over \$6 million for the Admissions program. The General Fund budget comprises only about one-half of the bar's total expenditures.

Budget information on these other bar programs is necessary in order for the Legislature to assess the complete fiscal status of the bar. This information is useful because charges and transfers between these other funds and the General Fund can affect the revenues available for General Fund programs. The bar indicates that it did not submit this information because the statute does not specify that all bar expenditures are to be included in the budget submitted to the Legislature. We believe that a literal interpretation of the applicable code section does not lead to this conclusion.

Nevertheless, in order to eliminate any ambiguity in this matter, we recommend that the Legislature amend the law to require that the budget submitted by the bar include all programs and funds administered by the bar. The following language would implement this recommendation.



## **Proposed Amendment to Section 6140.1 of the Business and Professions Code**

### **Section 6140.1. Proposed baseline and proposed final budgets; submission to Legislature; form; budget change proposals**

"The State Bar annually shall submit its proposed baseline budget for the following fiscal year to the appropriate fiscal committees of the Legislature and the Joint Legislative Budget Committee by November 15, and its proposed final budget by February 15, so that the budget can be reviewed and approved in conjunction with any bill that would authorize the imposition of membership dues. *These budgets shall include the estimated revenues, expenditures, and staffing levels for all of the programs and funds administered by the State Bar.*

"The State Bar shall submit the budget documents in a form comparable to the documents prepared by state departments for inclusion in the Governor's Budget and the salaries and wages supplement. In addition, the bar shall provide supplementary schedules detailing operating expenses and equipment, all revenue sources, any reimbursements or interfund transfers, fund balances, and other related supporting documentation. The bar shall submit budget change proposals with its final budget, explaining the need for any differences between the current and proposed budgets."

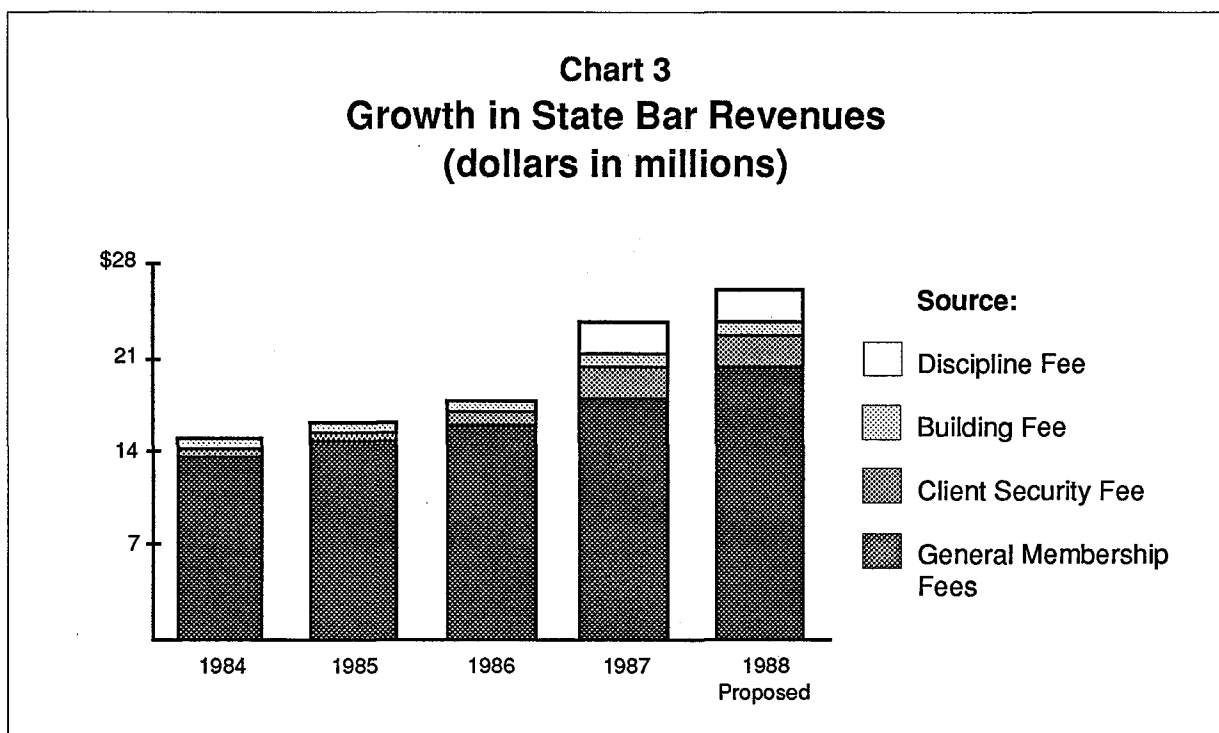
# Member Fees

Member fees are the major source of revenue for the State Bar. General membership fees and discipline fees are assessed to support bar programs supported from the General Fund. Additional fees for the Building Fund and the Client Security Fund are assessed to support the specific purposes of those funds.

## Historical Growth in Fee Revenues

Chart 3 provides a historical perspective on

the total bar revenues generated by member fees. The chart shows that revenues are expected to increase by \$11.1 million, or 74 percent, between 1984 and 1988. The chart also shows that the most significant increase in recent years occurred in 1987. Revenues in 1987 increased by \$5.8 million, or about 32 percent, above 1986 levels. This increase was due to both an increase in the annual fee for the Client Security Fund (from \$10 to \$25 per member), and the authorization for a specific fee (\$25 per member) to increase support for the discipline program.



The growth in revenues over the five-year period shown in the chart largely is attributable to factors other than increases in the number of members paying fees. The increases in revenues averaged about 15 percent annually for this period, while increases in the number of members paying dues averaged less than 4 percent annually.

## 1988 Fee Proposals

**Senate Bill 457 (Keene).** The bar advises that its 1988 General Fund budget is based on the level of fees proposed by SB 457, as amended March 23, 1987. This bill would increase the general membership fee by \$6 for persons who have been members of the bar for less than one year, \$7 for those persons who have been members for more than one

year but less than three years, and \$15 for persons who have been members over three years. About 84 percent of all active members of the bar have been members for over three years. The \$15 increase is a 7.5 percent increase over the existing fee authorized for these members.

Senate Bill 457 would generate \$26.2 million in total fee revenues for the bar. Of this amount, \$22.7 million would be generated by the general membership and discipline fees, and would be used to support General Fund programs.

Table 5 shows for each membership category the existing 1987 general membership fee levels, the proposed increase, and the other specific fees currently charged and proposed to be continued in 1988.

**Table 5**  
State Bar Association  
Member Fees Proposed by SB 457  
1988

Membership Category	General Membership Fee		Change From 1987		Other Specific Fees <sup>a</sup>	Total Fee
	1987	1988	Amount	Percent		
Less than 1 year	\$110	\$116	\$6	5.5%	\$60	\$176
1 to 3 years	140	147	7	5.0	60	207
Over 3 years	200	215	15	7.5	60	275
Inactive	40	40	0	n/a	n/a	40

<sup>a</sup> Includes \$25 discipline fee, \$25 Client Security Fund fee, and \$10 Building Fund fee.

**Assembly Bill 1994 (McClintock).** This bill, as amended May 5, 1987, would increase the general membership fee by \$3 for persons who have been members of the bar for less than one year, \$4 for those persons who have been members for more than one year but less than three years, and \$5 for persons who have been members over three years. The \$5 increase is a 2.5 percent increase over the existing fee authorized for the majority of members.

In addition, AB 1994 would eliminate the

authorization for the \$25 per member discipline fee. Consequently, the bill would result in a net reduction in the total fee each bar member is assessed.

Assembly Bill 1994 would generate \$22.9 million in total fee revenues for the bar. Of this amount, \$19.5 million would be generated by the general membership and discipline fees, and would be used to support General Fund programs.

Table 6 shows the effect of AB 1994 on member fees.

**Table 6**  
**State Bar Association**  
**Member Fees Proposed by AB 1994**  
**1988**

<i>Membership Category</i>	<i>General Membership Fee</i>		<i>Change From 1987</i>		<i>Other Specific Fees<sup>a</sup></i>	<i>Total Fee</i>
	<i>1987</i>	<i>1988</i>	<i>Amount</i>	<i>Percent</i>		
Less than 1 year	\$110	\$113	\$3	2.7%	\$35	\$148
1 to 3 years	140	144	4	2.9	35	179
Over 3 years	200	205	5	2.5	35	240
Inactive	40	40	—	n/a	n/a	40

<sup>a</sup> Includes \$25 Client Security Fund fee and \$10 Building Fund fee.

# California State Bar in Perspective - A Comparison with Other States

During discussions on the bar's 1987 dues bill, the Legislature indicated an interest in knowing how the structure and funding of California's bar compare to other state bars. In this section of our analysis, therefore, we note the general characteristics of other bars, the level and types of member fees they assess, and their staffing and expenditure levels.

The usefulness of the information contained in this section is somewhat limited for comparison purposes because the various bar associations differ in their accounting practices, their ability to obtain revenues other than member fees, and in the structure of their organizations. For example, in some states the bar administers the admissions program, while in other states the admissions program is administered by a separate agency. The information is useful, however,

for gaining some insight into how California's bar *generally* compares to other bars.

The information in this report was obtained from a survey conducted by the American Bar Association and from our telephone conversations with selected state bars. The information presented is for the 1985 calendar year.

Of the 47 bars responding to the survey, 30 were unified bars and 17 were voluntary. States with unified bars require attorneys to be members of the bar in order to practice law in that state. California's bar is unified. With the exception of New York, Illinois, and Pennsylvania, all of the bars with over 20,000 members were unified bars. Table 7 lists the six largest unified and three largest voluntary bars.

**Table 7**  
**Largest State Bar Associations**  
**Unified and Voluntary**  
**1985**

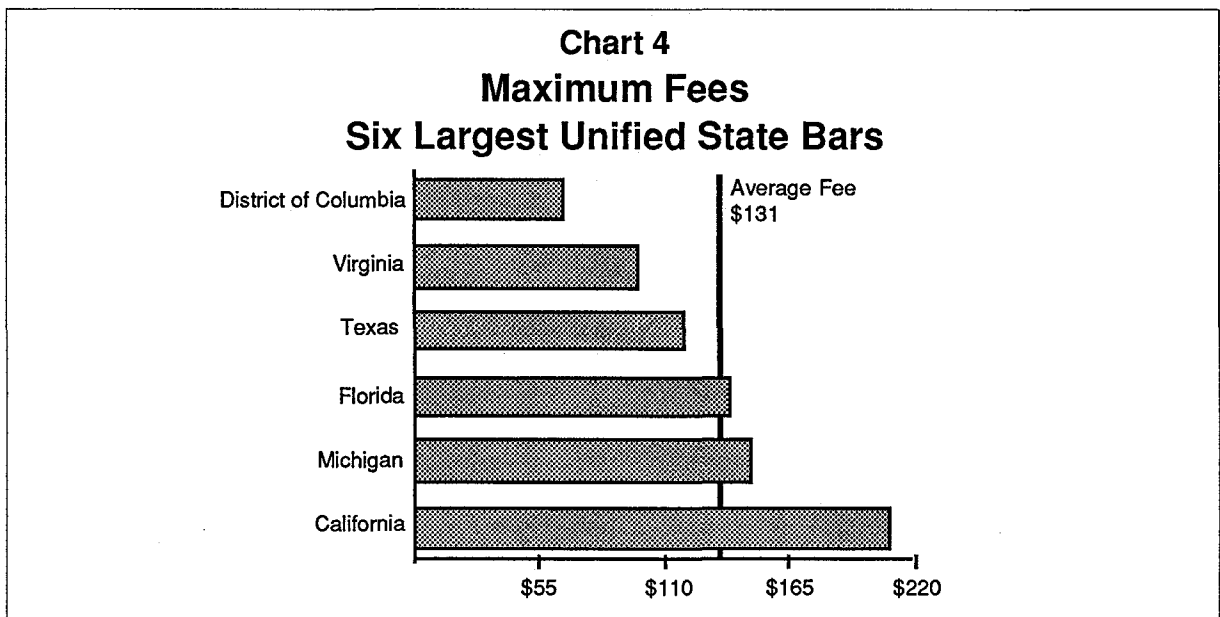
	<i>Number of Members</i>
<i>Unified</i>	
California	84,917
Texas	45,742
District of Columbia	44,000
Michigan	24,087
Florida	37,585
Virginia	20,000
<i>Voluntary</i>	
New York	45,007
Illinois	26,429
Pennsylvania	25,000

## Which State Bars Charge the Highest Member Fees?

Of the respondents to the survey, 13 state bars charged member fees in 1985 that were higher than the maximum fee charged by California's bar. The three highest fees were charged by Delaware, Alaska and Hawaii. These state bars charged \$360, \$310, and \$298, respectively, in 1985. California charged a maximum fee of \$210 in that year. The maximum fee charged by all the respondents, on average, was about \$178.

If California is compared to the other five large unified bars, however, a different pic-

ture develops. These bar associations are the most similar to California's in that they serve large memberships, require membership in order to practice law, and operate their own discipline programs. Compared to this group, California's \$210 fee was the highest maximum fee in 1985. The lowest maximum fee charged was the District of Columbia's, at \$66. The maximum fee charged by these six bars, on average, was \$131. Chart 4 illustrates this comparison.



Of the three large voluntary bars, New York charged the highest fee at \$235 per member, while Pennsylvania and Illinois both charged \$220 per member.

### Do Other Bar Associations Charge Fees for Specific Programs?

Of the 47 respondents, 34 charged fees for specific programs and 13 did not. The programs for which specific fees were charged included licensing and registration, client security, mandatory continuing education, professional responsibility, and building fund. California was the only bar that charged a specific fee for a building fund.

Of the six large unified bars, the survey shows that California is the only bar of this group that charged any fees for specific pro-

grams. All three of the large *voluntary* bars, however, charged fees for some of these specific programs.

### Which State Bars Employed the Largest Number of Staff?

In absolute terms, California, Florida, and Texas employed the largest numbers of staff in 1985. These bars had 452, 169, and 155 staff, respectively, in 1985. In order to provide a comparable basis for comparing relative staffing levels of the bars, we calculated the number of staff employed by a bar for each 1,000 members of that bar. Comparing the six largest unified bars on this basis shows that California had 5.3 staff per 1,000 members, while Florida had 4.5 and Texas had 3.4. Table 8 shows how the staff sizes of the nine largest bars compare.

**Table 8**  
Largest State Bar Associations  
Numbers of Staff  
1985

	<i>Number of Staff</i>	<i>Staff per 1,000 Members</i>
<b><i>Unified</i></b>		
California	452	5.3
Florida	169	4.5
Texas	155	3.4
District of Columbia	50	1.1
Michigan	32	1.3
Virginia	28	1.4
<b><i>Voluntary</i></b>		
New York	56	1.2
Illinois	47	1.8
Pennsylvania	26	1.0

## Which State Bars Had the Highest Expenditures?

Table 9 shows the amounts expended by each of the nine large state bars in 1985.

California, Florida and Texas had the highest expenditures. These three states also had the highest level of expenditures per member.

**Table 9**  
Largest State Bar Associations  
Total Expenditures  
1985

	Total Expenditures (millions)	Expenditures Per Member
<i>Unified</i>		
California	\$25.7	\$303
Florida	10.7	286
Texas	9.4	205
Michigan	4.0	165
District of Columbia	3.6	81
Virginia	1.9	93
<i>Voluntary</i>		
New York	5.8	129
Pennsylvania	1.9	73
Illinois	1.4	30

Of the unified bars, Virginia and the District of Columbia were the two bars that had the lowest level of expenditures. The admissions programs in these jurisdictions were administered by an outside agency and not by the bar. The admissions program in Michigan

was administered jointly by the bar and an outside agency.

The three voluntary bars, New York, Pennsylvania, and Illinois did not administer their own discipline or admissions programs in 1985. ♦