

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 253 (Umberg)
Version: February 3, 2025
Hearing Date: May 6, 2025
Fiscal: No
Urgency: No
AM

SUBJECT

State Bar of California: annual license fee

DIGEST

This bill requires the Board of Trustees (Board) of the California State Bar (State Bar) to fix the annual license fee for active licensees for 2026 at a sum not exceeding an unspecified amount.

EXECUTIVE SUMMARY

The State Bar of California (State Bar) is a public corporation and the largest state bar in the country. Attorneys who wish to practice law in California generally must be admitted and licensed by the State Bar. (Cal. Const., art. VI, § 9.) Last year, the State Bar submitted a report to the Legislature requesting a \$125 active licensee fee increase; however, the Legislature ultimately granted them an \$88 active license fee increase. This year the State Bar has not sought a fee increase from the Legislature. The State Bar has two core functions – oversee admissions of applicants for licensure to practice law in this state and discipline those licensees for violating the law and rules of professional conduct. The State Bar has faced issues with its discipline system in the past decade, including a backlog of cases, having no Chief Trial Counsel to head its discipline program for a 5-year stretch, and the fall out of the Girardi scandal. This year, the State Bar’s administration of the February Bar exam was an utter calamity with widespread technological failures and queries regarding the fairness and accuracy of the actual exam questions. SB 47 (Umberg, 2025) seeks an audit of the 2025 February bar exam and the analysis of that bill will explore this issue in-depth.

This bill is the annual State Bar licensing fee bill. The bill is author-sponsored. The Committee did not receive any timely support or opposition.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Requires all attorneys who practice law in California to be licensed by the State Bar and establishes the State Bar, within the judicial branch of state government, for the purpose of regulating the legal profession. (Cal. const., art. VI, § 9; Bus. & Prof. Code §§ 6000 et seq.)
 - a) The Legislature sets the annual fees. (Bus. & Prof. Code §§ 6140, 6141.)
 - b) The State Bar is governed by the Board of Trustees of the State Bar (Board). (Bus. & Prof. Code §§ 6010 et seq.; § 6016.)
- 2) Establishes that protection of the public, which includes support for greater access to, and inclusion in, the legal system, is the highest priority for the State Bar in exercising their licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public is to be paramount. (Bus. & Prof. Code § 6001.1.)
- 3) Authorizes the State Bar to collect \$553 in fees from active licensees for the year 2024 as follows:
 - a) \$400 annual license fee. (Bus. & Prof. Code § 6140.)
 - b) \$40 fee for the Client Security Fund. (Bus. & Prof. Code § 6140.55.)
 - c) \$25 fee for the costs of the disciplinary system. (Bus. & Prof. Code § 6140.6.)
 - d) \$10 fee for the attorney diversion and assistance program. (Bus. & Prof. Code § 6140.9.)
 - e) \$15 fee for lease costs in the San Francisco location. (Bus. & Prof. Code § 6140.10.)
 - f) \$52 fee for funding salaries and benefits of employees of the State Bar. (Bus. & Prof. Code § 6140.11.)
 - g) \$5.50 for administering compliance reviews and audits of client trust accounts. (Bus. & Prof. Code § 6140.13.)
 - h) \$5.50 fee for the disciplinary diversion program. (Bus. & Prof. Code § 6140.14.)
- 4) Authorizes the State Bar to collect \$161 in fees from inactive licensees for the year 2024 as follows:
 - a) \$100 annual license fee. (Bus. & Prof. Code § 6141(a).)
 - b) \$10 fee for the Client Security Fund. (Bus. & Prof. Code § 6140.55.)
 - c) \$25 fee for the costs of the disciplinary system. (Bus. & Prof. Code § 6140.6.)
 - d) \$5 fee for the attorney diversion and assistance program. (Bus. & Prof. Code § 6140.9.)

- e) \$3.50 fee for lease costs in the San Francisco location. (Bus. & Prof. Code § 6140.10.)
 - f) \$14 fee for funding salaries and benefits of employees of the State Bar. (Bus. & Prof. Code § 6140.11.)
 - g) \$1.25 fee for administering compliance reviews and audits of client trust accounts. (Bus. & Prof. Code § 6140.13.)
 - h) \$1.25 fee for the disciplinary diversion program. (Bus. & Prof. Code § 6140.14.)
 - i) An inactive licensee who is 70 years old or older is not required to pay an annual license fee. (Bus. & Prof. Code § 6141(b).)
- 5) Requires the State Bar to charge a \$45 fee in addition to the annual license fee for active and inactive licensees for the purposes of funding legal services for persons of limited means, as provided, unless a licensee elects not to support those activities in which case the licensee can deduct the amount from the annual license fee.
- a) Requires \$5 of the \$45 fee to be allocated to qualified legal services projects or qualified support centers, as defined, to hire law school graduates with a temporary provisional license issued by the State Bar, as provided. (Bus. & Prof. Code § 6140.03.)
- 6) Requires the State Bar to contract with the California State Auditor's Office to conduct a performance audit of the State Bar's operations every two years. (Bus. & Prof. Code § 6145(b).)
- 7) Requires the Executive Director, the General Counsel, and the Chief Trial Counsel of the State Bar to be confirmed by the Senate. (Bus. & Prof. Code §§ 6011(c), 6012(c), & 6079.5.)

This bill requires the Board to fix the annual license fee for active licensees for 2026 at a sum not exceeding an unspecified amount, and repeals this provision on January 1, 2027.

COMMENTS

1. Stated need for the bill

The author writes:

This is the annual bill to authorize the collection of license fees from licensed attorneys in California to fund the operations of the State Bar of California. Last year, the State Bar requested a \$125 active licensee fee increase. However, the Legislature, after careful consideration, ultimately only granted the State Bar an \$88 active license fee increase. The State Bar's highest priority is the protection of the public and it accomplishes this through two core priorities – disciplining attorneys

and admissions to practice law in this state. Over the past 10 years, the State Bar has faced numerous issues with its discipline system, including an ever-growing backlog of discipline case, the failure to nominate a Chief Trial Counsel for five years, and the Thomas Girardi scandal. The Girardi scandal seriously called into question the ability of the State Bar to meet its mission. The Senate and Assembly Judiciary Committees held a joint oversight hearing of the State Bar on the Girardi scandal in May 2023. I am cautiously optimistic that State Bar has been making meaningful strides to address deficiencies in its discipline system over the past two years.

Unfortunately, this year the State Bar utterly failed at its second core priority with its disastrous administration of the February 2025 bar exam. This debacle has raised serious questions about the State Bar and the performance of its current leadership. This bill will allow the Legislature to use its oversight authority to enact changes to the State Bar Act to ensure the protection of the public.

2. Bar of California functions as the administrative arm of the Supreme Court for the purpose of assisting in attorney admissions and discipline

As a constitutional matter, the judicial power of California is vested in the Supreme Court, Courts of Appeal, and superior courts. (Cal. Const., art. VI, Sec. 1.) (*In re Attorney Discipline System* (1998) 19 Cal.4th 582, 592; *Obrien v. Jones* (2000) 23 Cal.4th 40, 48.) In addressing this inherent authority to regulate the practice of law, the Supreme Court has explained: “The important difference between regulation of the legal profession and regulation of other professions is this: Admission to the bar is a *judicial function*, and members of the bar are *officers of the court*, subject to discipline by the court. Hence, under the constitutional doctrine of separation of powers, the court has inherent and *primary regulatory power*.” (*In re Attorney Discipline System, supra*, 19 Cal.4th at 593.) The State Bar functions as the administrative arm of the Supreme Court for the purpose of assisting in attorney admissions and discipline, with the court retaining its inherent judicial authority to disbar or suspend attorneys. (*In re Attorney Discipline System, supra*, 19 Cal.4th at 599-600; *see Keller v. State Bar of California* (1990) 496 U.S. 1, 11.)

Attorneys who wish to practice law in California generally must be admitted and licensed by the State Bar. (Cal. Const., art. VI, Sec. 9.) The State Bar of California is a public corporation. Although originally a creature of statute, the State Bar is now “a constitutional entity within the judicial article of the California Constitution.” (*Obrien, supra*, 23 Cal.4th at 48; *see* Cal. Const., art. VI, § 9; Bus. & Prof. Code, Sec. 6001.) The State Bar’s regulatory assistance is an integral part of the judicial function. (*Obrien, supra*, 23 Cal.4th at 48.) Emphasizing the *sui generis* nature of the State Bar as its administrative arm, the Supreme Court has made clear that “express legislative recognition of reserved judicial power over admission and discipline is critical to the constitutionality of the State Bar Act.” (*In re Attorney Discipline System, supra*, 19 Cal.4th at 600, citing Bus. & Prof. Code Sec. 6087.)

At the same time, the Legislature's exercise, under the police power, of a reasonable degree of regulation and control over the profession and practice of law in California, is well established. (*O'Brien, supra*, 23 Cal.4th at 48.) The Legislature exercises regulatory authority pursuant to the State Bar Act and has authority to set the amount of license fees necessary to fund the disciplinary system. The Legislature has enacted statutes making protection of the public the highest priority of the State Bar (Bus. & Prof. Code § 6001.1) and subjecting the Executive Director, the General Counsel, and the CTC of the State Bar to Senate confirmation. (Bus. & Prof. Code §§ 6011(c), 6012(c), & 6079.5.) The Executive Director's current contract expires in July of this year.

The State Bar of California is the largest state bar in the country. As of April 27, 2025, total State Bar licensees are 297,073, which includes 197,952 active licensees, 2,330 judge members, 20,086 licensees who are "Not Eligible to Practice Law," and approximately 76,7057 inactive licensees.¹ The State Bar's programs are financed mostly by annual license fees paid by attorneys as well as other fees paid by applicants seeking to practice law. The State Bar is governed by a Board of Trustees (Board). Pursuant to SB 36 Jackson (Ch. 422, Stats. 2017), the Board was required to transition to a 13-member Board comprised of Governor, Supreme Court, Assembly, and Senate appointees.

3. Attorney licensee fees

In 2019, based largely on recommendations from the California State Auditor and the Legislative Analyst's Office, the 2020 annual license fee was increased to \$438 for active licensees and \$108 for inactive licensees. This fee increase consisted of a \$71 increase on an ongoing basis and a onetime fee increase of \$52 for active licensees, and a \$20 increase on an ongoing basis and a onetime fee increase of \$13 for inactive licensees. The 2021 annual license fee was decreased to \$395 for active licensees and \$97.40 for inactive licensees through AB 3362 (Committee on Judiciary, Ch. 360, Stats. 2020). The decrease included the cessation of several of the onetime fee increases imposed in 2020. When all fees were added together, excluding the optional legal services fee, the total license fee for 2021 was \$470 for active licensees and \$137.40 for inactive licensees.² The 2022 annual license fee was the same as the license fee for 2021. (SB 211 (Umberg, Ch. 723, Stats. 2021).) The 2023 annual license fees were the same as 2022, except it provided that the active license fee is to be reduced by \$4 and the inactive licensee fee by \$1 if the State Bar has entered into a contract to sell its San Francisco office building by October 31, 2022. The State Bar sold its building November 2023 for \$54 million. Leah Wilson, Executive Director of the State Bar stated "the sale of 180 Howard was a prudent and necessary action on our part in these post-pandemic and precarious financial times. This

¹ *Attorney Status*, State Bar of Cal. (current as of Ap. 28, 2025), available at <https://members.calbar.ca.gov/search/demographics.aspx>.

² This amount includes the fee for the Attorney Diversion and Assistance Program of \$10 for active licensees and \$5 for inactive licensees, which last year was only \$1 and \$0, respectively. (Bus. & Prof. Code § 6140.9(a).)

deal helps our finances by allowing us to remain whole through 2024. It also allows us to remain in the building we have called home for 25 years.”³

In 2024, the active license fee was raised by \$88 and the inactive license fee by \$23.60.

The fee increase for active licensees in 2024 can be broken down as follows:

- a \$10 increase in the base active license fee;
- a \$15 increase to pay for lease costs associated with leasing space in the building located at 180 Howard Street, San Francisco;
- a \$52 increase to fund the salaries and benefits of employees of the State Bar, including benefits identified in the applicable memorandums of understandings with the bargaining units of State Bar employees;
- a \$5.50 increase to fund the actual cost of administering compliance reviews and audits of client trust accounts; and
- a \$5.50 increase to fund the disciplinary diversion pilot program.

The fee increase for inactive licensees in 2024 can be broken down as follows:

- a \$3.60 increase in the base inactive license fee;
- a \$3.50 increase to pay for lease costs associated with leasing space in the building located at 180 Howard Street, San Francisco;
- a \$14 increase to fund the salaries and benefits of employees of the State Bar, including benefits identified in the applicable memorandums of understandings with the bargaining units of State Bar employees;
- a \$1.25 increase to fund the actual cost of administering compliance reviews and audits of client trust accounts; and
- a \$1.50 increase to fund the disciplinary diversion pilot program.

As noted by the Assembly Judiciary Committee last year, the main drivers behind authorizing a fee increase was to protect State Bar employees from layoffs and benefit reductions.⁴ The fee increase for leasing space in San Francisco is set to sunset on January 1, 2030; the fee increase for employee salaries and benefits is set to sunset January 1, 2028; and the fee increase for compliance reviews, audits of client trust accounts, and the diversion pilot program is set to sunset January 1, 2029.

The Auditor’s Office released its most recent audit of the State Bar in February 2025. The audit concluded that the State Bar must continue to achieve cost savings noting:

³ *State Bar of California Sells 180 Howard Building in San Francisco*, State Bar of Cal., (Nov. 14, 2023), available at <https://www.calbar.ca.gov/About-Us/News/News-Releases/state-bar-of-california-sells-180-howard-building-in-san-francisco>.

⁴ Asm. Jud. Comm. analysis AB 3279 (2023-24 reg. sess.) as amended Feb. 9, 2024 at pp. 8-9.

- the State Bar relies on its general fund revenues to pay for a majority of its functions, including attorney discipline, communication, and administration;
- in 2023, the State Bar's total net financial position, which is the amount the State Bar's total assets exceed its total liabilities, was \$227 million;
- a large majority of the State Bar's funds are restricted on how they can be used, roughly \$220 million in 2023;
- the State Bar has been relying on the general fund's reserves since 2022, as its expenses have been higher than its revenue since 2022.⁵

4. State Bar's adopted budget for 2025

The State Bar states that the \$88 fee increase in 2024 "has helped stabilize the State Bar's fiscal position, though it does not support status quo operations."⁶ The State Bar reports that it has budgeted revenue for 2025 at "\$365.8 million compared to \$452.4 million budgeted in 2024" and has budgeted expenses of "\$490.8 million compared to \$366.4 million in 2024."⁷ The State Bar reports the following as key budgetary changes from 2024:

- a decrease in revenue by \$86.6 million mostly due to lower interest on Lawyer's Trust Accounts (IOLTA) revenue;
- an increase in expenses by \$124.4 million due to a higher volume of grant-related costs from the Legal Services Trust Fund disbursements;
- an increase in personnel expenses by \$8.5 million principally because of the voluntary reduction in force (RIF) program, merit increases, cost-of-living adjustments (COLA), and contributions to other post-employment benefits plan.
- a decrease of \$11.1 million in building operations as a result of transitioning to a smaller footprint in the State Bar's San Francisco location; and
- a decrease of \$700,000 in services expenditure in reductions to professional and externally provided services.⁸

The 2025 budget allocates \$124.8 million for salaries, benefits, supplemental staffing, employee healthcare, and retirement costs, which is an \$8.5 million increase from 2024.⁹ In response to this, the State Bar instituted a voluntary RIF program in 2024. The bar states that this increase is primarily the result of the RIF, merit salary increases, a 2.5 percent COLA, and payments to fund retirement benefits.¹⁰ The 2024 fee bill required

⁵ Cal. State Auditor, *The State Bar of California: It Must Continue to Achieve Cost Savings and Reduce its Growing Backlog of Disciplinary Cases*, (Feb, 2025) at p. 1, available at <https://www.auditor.ca.gov/wp-content/uploads/2025/02/2024-030-Report.pdf>.

⁶ 2025 Adopted Final Budget, State Bar, (Feb. 28, 2025), available at <https://www.calbar.ca.gov/Portals/0/documents/reports/2025-State-Bar-Adopted-Budget.pdf>.

⁷ *Ibid.*

⁸ *Ibid.*

⁹ *Id.* at 15.

¹⁰ *Ibid.*

the State Bar to seek to achieve, through employee attrition only, a 15 percent vacancy rate by April 1, 2027, and prohibited the State Bar from terminating an employee solely for the purpose of meeting the target vacancy rate. (Bus. & Prof. Code § 4140.11.) The State Bar reports that \$3.9 million in increased costs are attributed specifically to the voluntary RIF program, with \$3.2 million of this coming from the General Fund.

The bulk of revenues for 2025 come from grants and mandatory license fees, which account for 52.6 percent and 31.3 percent of revenues, respectively.¹¹ Grant revenues are restricted funds and are generally accounted as pass-through expenses. The State Bar reports expected expenses in grant funds of \$322.3 million and expected revenues of \$192.4 million.¹² The State Bar states that the grant revenue is significantly down from 2024, which was \$304.2 million. The State Bar notes that there is no anticipated funding for Homelessness Prevention III, Homelessness Prevention IV, or California Housing Finance Agency grants in the 2025 budget, and that less revenue is expected from IOLTA due to a decrease in account balances and interest rates.¹³ The State Bar notes that the increase in grant expenses is primarily due to IOLTA revenues that significantly outpaced 2024 projections and generated sizeable reserves.¹⁴ These reserves need to be passed down through to grantees, and, as such, significant grant disbursements from IOLTA funds are anticipated to draw down the reserve.¹⁵

When grant funds and expenses are removed from the total expenses and revenues provided by the State Bar, 2025 total revenues are \$173.4 million and total expenses are \$168.5 million. General fund revenue is expected to be \$116.8 million and is primarily funded through mandatory licensing fees.¹⁶ The State Bar reports expected General Fund expenses of \$121.7 million, which reflects a modest deficit position and is mainly driven by one-time expenses associated with the voluntary RIF program.¹⁷

5. Discipline system

The State Bar Act provides that protection of the public is the highest priority of the State Bar and that whenever the protection of the public is inconsistent with other interests sought to be promoted, protection of the public is to be paramount. (Bus. Prof. & Code § 6001.1.) The Office of Chief Trial Counsel (OCTC) is charged with receiving complaints against attorneys, conducting investigations, determining whether to file formal charges, and prosecuting cases in the State Bar Court. OCTC is headed by a Chief Trial Counsel (CTC), who is to be appointed by the Board and subject to confirmation by the Senate. The CTC is appointed for a four-year term and may be

¹¹ *Id.* at p. 11.

¹² *Id.* at 2.

¹³ *Id.* at 10.

¹⁴ *Id.* at 22.

¹⁵ *Id.* at 22.

¹⁶ *Id.* at 2.

¹⁷ *Ibid.*

reappointed for additional terms. The State Bar Court is an independent professional court that hears cases regarding attorney discipline and makes recommendations to the Supreme Court regarding suspension or disbarment of an attorney for violations constituting professional misconduct or conviction of serious crimes. The Supreme Court makes the ultimate decision regarding suspension or disbarment of a licensed attorney. California is the only state that has an independent court dedicated to ruling on attorney discipline cases.

a. 2024 Annual Discipline Report (ADR)

The State Bar submitted its ADR on November 27, 2024, which contains fiscal year data covering the period from July 1, 2023, to June 30, 2024. The State Bar reports:

In fiscal year 2024, the Office of Chief Trial Counsel (OCTC) opened more than 18,156 cases, a 5 percent increase over FY 2023. The number of cases closed was 18,984, marking a 17 percent increase over FY 2023 and making FY 2024 the first year in the six-year period highlighted in this report in which OCTC closed or otherwise resolved more cases than it opened, reducing its inventory of pending cases. OCTC met case processing goals for 84 percent of the closed cases, including 89 percent of noncomplex cases and 72 percent of complex cases. The total number of cases closed that did not meet the case processing goals (defined as “backlog”) was 2,688, an increase compared to last year (1,983 cases). In addition, the average case processing time increased for 1) cases closed with either no action, a referral, or nondisciplinary action, 2) cases pending at year-end, and 3) cases that OCTC filed in the State Bar Court. The State Bar obtained discipline for 229 attorneys, including 68 disbarments, 85 probation terms with actual suspensions, 33 probation terms with stayed suspensions, and 43 reproofs (both public and private).¹⁸

b. Backlog

The State Bar discipline process has suffered from a backlog of cases (cases that are not processed within six months of receipt) for a very long time. In the 2021 audit, the Auditor found that changes made to improve the State Bar’s discipline system actually significantly reduced its efficiency noting that “the State Bar’s backlog grew by 87 percent from the end of December 2015, to the end of June 2020.”¹⁹ As pointed out by the Auditor, this “growing backlog allows attorneys who are under investigation more time to continue practicing law while their cases are pending, increasing the risk for potential harm to the public.”²⁰ The Auditor’s “analysis

¹⁸ Cal. State Bar, *Annual Discipline Report*, Fiscal Year 2024, (Nov. 27, 2024) at p. 1, available at <https://www.calbar.ca.gov/Portals/0/documents/reports/2024-Annual-Discipline-Report.pdf>.

¹⁹ Cal. State Auditor, *The State Bar of California: It Is Not Effectively Managing Its System for Investigating and Disciplining Attorneys Who Abuse the Public Trust*, (April 2021), at p. 11, available at <https://information.auditor.ca.gov/pdfs/reports/2020-030.pdf>.

²⁰ *Ibid.*

indicates that both higher- and lower-priority cases are taking significantly longer to resolve.”²¹ Additionally, as the Auditor highlights, the “State Bar is also disciplining attorneys at a drastically lower rate for reasons it cannot adequately explain. From 2015 through 2019, the total number of cases that resulted in discipline – including reprimands, suspensions, and disbarments – declined by 54 percent.”²²

SB 211 (Umberg, Ch. 723, Stats. 2021) required the State Bar to propose case processing standards to address its existing backlog, and required the Legislative Analyst’s Office (LAO) to provide a report to the Legislature on the proposed case processing standards. The LAO report found that the workload of OCTC steadily increased from 2017-18 through 2019-20 and that the total number of cases opened peaked in 2019-20 with 20,979 cases.²³ The Legislature has not yet codified these standards into law and the Board has not formally adopted them either.

The most recent audit of the State Bar by the Auditor’s Office notes that the State Bar “did not intend the proposed standards to reflect timelines that the State Bar was able to meet with its then-current resources; rather, the State Bar developed the standards according to industry best practices.”²⁴ The Auditor’s report found that, on average, OCTC was able to close two of six case types within the proposed standards in 2021, but unable to close any case types within the proposed standards in 2023.²⁵ The State Bar told the Auditor’s Office that it has not been able to meet the proposed standards because its workload is too large, and that it requested 57 additional staff in 2024 to process cases in a timely manner, but the Legislature denied funding for those positions.²⁶ The State Auditor analysis concluded that the OCTC would need \$9.6 million over three years to fund an additional 57 full-time employee positions to meet the case processing standards.²⁷

c. Diversion program and reorganization

In 2023, OCTC established a pilot program to divert licensees whose “disciplinary and complaint histories demonstrate that they do not pose a significant risk of future harm to their clients or the public” and whose “alleged misconduct is relatively minor and stems from issues potentially subject to correction through education or other rehabilitative measures.”²⁸ The goal of the diversion program is to maintain attorney

²¹ *Id.* at 16.

²² *Ibid.*

²³ Leg. Analyst, *The California State Bar: Assessment of Proposed Disciplinary Case Processing Standards*, (Jan. 6, 2023), at p. 7, available at <https://lao.ca.gov/Publications/Report/4655>.

²⁴ Cal. State Auditor, *The State Bar of California: It Is Not Effectively Managing Its System for Investigating and Disciplining Attorneys Who Abuse the Public Trust*, fn. 19, *supra*, at p. 21.

²⁵ *Id.* at 23.

²⁶ *Id.* at 2.

²⁷ *Id.* at 23.

²⁸ Cal. State Bar, *Annual Discipline Report*, Fn. 18 *supra*, at p. 7.

professional standards but also bring cases to a resolution that may require less OCTC staff time and resources, which enables those resources to focus on matters posing greater risk of harm to the public. Many complaints against attorneys are the result of inexperience or poor training and not malfeasance, and therefore can be addressed through additional training and mentoring and not formal discipline. The State Bar stated that a diversion program could redirect up to 20 percent of all cases currently prosecuted by OCTC.²⁹ Part of last year's fee increase was to be allocated to fully fund this disciplinary diversion pilot program.

The State Bar has reorganized the way in which investigation and trial teams are assigned to cases based on their complexity and specialty. Cases are assigned to vertical or horizontal teams. A horizontal team assumes responsibility for a case's investigation, but a separate team takes over if the case proceeds to court, whereas a vertical team assumes responsibility for the case's entire processing, from investigation through closing or trial.³⁰ Prior to this change, a single attorney team in OCTC would follow a case throughout its entire processing.³¹ Vertical teams generally take cases that could be harmed if new staff takes over; which usually involve significant complex legal issues or those in a series of cases that should be consolidated.³²

Another change pursued by OCTC was instituted in 2024 where procedures for expedited investigation become the standard for most cases.³³ According to the State Auditor, these new procedures allow OCTC to create "more efficient and effective investigation case processing stages."³⁴ These new procedures include, allowing staff to send letters to complaint respondents by email instead of by physical mail and no longer mandating an interview from the complaining witness unless staff agree such an interview is necessary.³⁵

The State Auditor concluded that these three changes above have decreased case processing times, indicating that processing times may decrease for cases closed in 2024. If this happens, then OCTC could make progress in meeting its case processing standards in the coming years.³⁶ The CTC reported to the State Auditor that OCTC plans to "evaluate its changes to determine the efficacy of its discipline process before it considers making new requests to the Legislature."³⁷ A report is due to the Legislature in 2027 assessing the results of the diversion program.

²⁹ Cal. Sen. Jud. Comm. Analysis AB 3279 (2023-24 reg. session) as amended June 5, 2024 at p. 15.

³⁰ Cal. State Auditor, *The State Bar of California: It Is Not Effectively Managing Its System for Investigating and Disciplining Attorneys Who Abuse the Public Trust*, fn. 19, *supra*, at p. 25.

³¹ *Ibid.*

³² *Ibid.*

³³ *Ibid.*

³⁴ *Ibid.*

³⁵ *Ibid.*

³⁶ *Id.* at 26.

³⁷ *Id.* at 27.

d. Discipline Disparities

The State Bar has released a study to follow up on its 2019 study regarding the disparate impact of the discipline system on Black and Latino male attorneys. The State bar reports that:

when focusing on the last five years, probation and disbarment gaps between Black and white attorneys have significantly declined, reaching near parity in recent years. Hispanic/Latino attorneys now have lower disbarment rates than White attorneys, though slight disparities remain in probation outcomes. The updated study indicates that key factors previously identified as contributing to discipline disparities – such as complaint volume, prior discipline history, and representation by counsel – continue to shape outcomes, although they explain remaining disparities to a lesser extent than they did in 2019.³⁸

6. Girardi scandal, subsequent oversight hearing, and actions taken by the State Bar in response

The State Bar's highest priority is the protection of the public, which includes quickly finding and disciplining dishonest or incompetent attorneys. (Bus. & Prof. Code § 6001.1.) The ability of the State Bar to meet this priority was seriously called into question over the past several years due to the Thomas Girardi scandal. The Senate and Assembly Judiciary Committees held a joint oversight hearing of the State Bar in May 2023 and provided an in-depth analysis of the scandal in a background paper. In summary, in 2021, Girardi was accused of stealing millions of dollars from his injured clients over many years. The State Bar did not take action against Girardi until 2021 when he was disbarred by the California Supreme Court after a disciplinary hearing, even though serious and repeated allegations of misconduct against Girardi were reported to the State Bar. This disciplinary action only occurred after a federal court found that he had misappropriated \$2 million that was awarded to victims' families in the Lion Air flight 610 plane crash of 2018, and referred the matter to federal prosecutors for further investigation. Documentation eventually released by the State Bar detailed roughly 40 years of disciplinary records that showed Girardi had over 200 complaints filed against him since 1983, many of which alleged misappropriation of client funds. Further investigations detailed an alarming history of weak internal enforcement of conflict of interests and troubling relationships between employees of the State Bar and Girardi. The Senate and Assembly Judiciary Committees concluded that the State Bar has quite a long way to go to gain back public trust and correct issues with its disciplinary system.

³⁸ *State Bar Study Shows Recent Progress in Reducing Discipline Disparities*, Cal. State Bar, (Feb. 24, 2025), available at <https://www.calbar.ca.gov/About-Us/News/News-Releases/state-bar-study-shows-recent-progress-in-reducing-discipline-disparities>.

Since the May 2023 oversight, hearing the State Bar has strengthened its conflict of interest reporting requirements for members of the Board of trustees. In July 2023, the Board of trustees voted to adopt the model conflict of interest code promulgated by the Fair Political Practices Commission. To effectuate this, the State Bar sponsored SB 1476 (Blakespear, Ch. 489, Stats. 2024), which statutorily required the State Bar to have conflict of interest codes in compliance with the Political Reform Act of 1974 (PRA) and provided that members of the Board of trustees and designated employees are subject to the enforcement provisions under the PRA.

Other reforms taken by the State Bar since the oversight hearing include:

- submitting any complaints made under the State Bar whistleblower program alleging misconduct or retaliation by the State Bar, the Board of trustees, or staff directly to the Department of Justice, without any review being conducted by the State Bar.
- enacting the Client Trust Account Protection Program, which requires licensees to share non-IOLTA client trust account information with the State Bar and allows the State Bar to conduct audits of those accounts, as specified.
- reforming processes in the OCTC to add a permanent team of investigators and attorneys dedicated to alleged client trust account violations;
- establishing new procedures to investigate attorneys with multiple pending complaints or who have been subject to a large number of complaints over a five-year period; and
- enacting a disciplinary diversion program for minor offenses of licensees with minimal disciplinary histories and reorganizing certain processes and procedures in the OCTC. (*see* Comment 5)c), above.)

7. Annual fee authorization

This bill is the annual State Bar fee authorization bill, which allows the Legislature to exercise its regulatory authority over the State Bar. The bill requires the Board to fix the annual license fee for active licensees for 2026 at a sum not exceeding an unspecified amount. As the bill moves through the Legislature, the author intends to amend the bill to address issues related to the State Bar to ensure that it is meeting its highest priority of protecting the public.

SUPPORT

None received

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation:

SB 47 (Umberg, 2025) requires the State Auditor to conduct an audit of the February 2025 bar exam, as specified. SB 47 is pending in this Committee and is set to be heard on the same day as this bill.

Prior Legislation:

AB 3279 (Committee on Judiciary, Ch. 227, Stats. 2024) among other things increased active licensee fees by \$88.

SB 40 (Umberg, Ch. 697, Stats. 2023) authorized the State Bar to collect annual licensing fees in the same amount as 2022 and made other changes, including strengthen conflict of interest statutes and require Senate confirmation of the executive director and general counsel of the State Bar.

AB 2958 (Committee on Judiciary, Ch. 419, Stats. 2022) authorized the State Bar to collect annual licensing fees of \$395 for active licensees and \$97.40 for inactive licensees and enacted other reforms.

SB 211 (Umberg, 2021, Ch. 723, Stats. 2021) authorized the State Bar to collect annual licensing fees of \$395 for active licensees and \$97.40 for inactive licensees and enacted other reforms. The bill required the Auditor's Office to conduct an independent audit to determine if the discipline process adequately protects the public from misconduct by licensed attorneys or those who wrongfully hold themselves out as licensed attorneys.

AB 3362 (Committee on Judiciary, Ch. 360, Stats. 2020) authorized the State Bar to collect annual licensing fees of \$395 for active licensees and \$97.40 for inactive licensees and enacted other reforms.

SB 176 (Jackson, Ch. 698, Stats. 2019) authorized the State Bar to collect annual licensing fees of \$438 for 2020 and enacted other reforms.

AB 3249 (Committee on Judiciary, Ch. 659, Stats. 2018) authorized the State Bar to collect annual licensing fees of \$390 for 2019 and enacted other reforms, including a strengthening of the attorney discipline system.

SB 36 (Jackson, 2017, Ch. 422, Stats. 2017) authorized the State Bar to collect active membership dues of up to \$390 for the year 2018; reformed the State Bar Act by creating what is now the California Lawyers Association; changed the composition of the State Bar Board; and enacted various reforms to remove politics from the Board.
