

California State Bar Facing Financial Struggles, Reveals Audit



The State Bar of California, the largest mandatory state bar association in the US, is facing significant financial struggles, according to a new audit report from the auditor of the State of California. The organization has outspent its general fund revenue in recent years. The audit recommends increasing lawyer fees and selling off its San Francisco office building to cover its growing costs.

The State Bar of California is responsible for regulating the more than 250,000 lawyers in the state, and the audit found that the organization should do more long-range financial planning. The report warns that if the State Bar continues to operate its general fund at a deficit, it risks depleting its reserve and being unable to pay for its programs and administrative offices.

The audit reveals that rising personnel costs have fueled the bar's deficit spending. Its general fund reserve has fallen from \$19 million in 2020 to \$12.4 million in 2022, below the recommended minimum of more than \$16 million. According to the audit, the state bar's budget projects a deficit of \$4.3 million in 2023.

Bar officials disclosed the organization's budget woes in January, citing inflation, fewer lawyers seeking admission, and growing costs to administer the bar exam as contributing factors. The State Bar Board of Trustees Chairman Ruben Duran agreed with the auditor's recommendations, particularly the recognition that a licensing fee increase is needed to sustain State Bar operations. He added that this is particularly important if they cannot sell their San Francisco headquarters building or use the sale proceeds to support their operations.

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The bar had previously asked state lawmakers to approve higher annual fees in 2024. The state auditor recommended a mandatory licensing fee increase of \$24 for active attorneys and \$6 for inactive ones, as well as increasing various other fees. Active lawyers currently pay \$510 in licensing fees, and the bar last raised those fees in 2020, the first increase in nearly 25 years.

However, the State Bar noted in its response to the audit report that a \$24 fee increase isn't enough to close the organization's 15% personnel vacancy rate. It would need a \$35 fee increase to reduce the vacancy rate to 5%.

The financial struggles of the State Bar of California reflect broader challenges facing the legal profession. In recent years, law schools across the US have seen a significant decline in applications, contributing to a decline in the number of lawyers in many states. Additionally, many lawyers have been forced to take pay cuts or have lost their jobs due to the economic impact of the COVID-19 pandemic.

The State Bar of California is not the only organization facing financial struggles. Many other state bars and legal associations have also had to make difficult financial decisions in recent years. Some have had to lay off staff, while others have cut programs or services.

The financial challenges facing the State Bar of California highlight the importance of long-term financial planning for legal organizations. As the legal profession continues to face significant challenges, it will be crucial for state bars and other legal associations to find new ways to generate revenue and maintain financial stability. This may require difficult decisions, such as increasing fees or cutting programs. Still, it will be necessary to ensure that these organizations can continue to fulfill their vital role in regulating the legal profession and promoting access to justice.