

The State Bar of California

Lobbying and Optional Program Deductions for 2002 Membership Fees

Introduction

All persons licensed to practice law in California are required by state law to be admitted as a member of the State Bar of California and to pay annual membership fees. Annual membership fees are used to finance the State Bar's activities in the areas of attorney admission, discipline and regulation and other programs that enhance lawyer ethics and competence or improve the quality of legal service and the justice system. This includes such things as administering the bar examination, formulating rules of professional conduct, disciplining members for misconduct, administering the Client Security Fund to reimburse clients for pecuniary losses caused by member misconduct, administering continuing legal education requirements, evaluating nominees for judicial office, working with the Judicial Council, conducting a variety of education programs for members and the public, and providing various member services. Membership fees have also been used to fund studying and recommending changes in legislation and facilitating relations among national, regional and local voluntary bar associations.

The Supreme Court's decision in *Keller v. State Bar of California* (1990) 496 U.S. 1 [110 S. Ct. 2228, 110 L. Ed.2d 1] placed limitations on the charging of membership fees to support bar activities that are political or ideological. The Supreme Court held that the State Bar may constitutionally charge members who object to activities that are political or ideological only for expenditures that are necessarily or reasonably incurred for the purpose of regulating the legal profession or improving the quality of legal service available to the people of the state. However, the First Amendment prohibits the State Bar from charging objecting members the expenses of activities with "political or ideological coloration" which are not reasonably related to the advancement of those goals. The Court acknowledged that where the line falls will not be easy to discern in some cases. But there are no valid constitutional objections to core Bar functions such as disciplining lawyers or proposing ethical rules for the profession. *Keller*, 496 U.S. at 14-16.

To meet the constitutional requirements of *Keller*, the State Bar adopted procedures outlined in *Chicago Teachers v. Hudson* (1986) 475 U.S. 292 [106 S. Ct. 1066, 89 L.Ed.2d 232] and suggested by the Supreme Court in *Keller*, 496 U.S. at 17. Under the procedures, the State Bar set an amount each year that members could deduct from the membership fees for activities which were not within the purview of *Keller* and which the member elected not to support. The deduction was calculated by using the prior year's expenses and categorizing the expenditures as chargeable or nonchargeable under *Keller*. To satisfy the requirement of Hudson of "an adequate explanation of the basis for the fees," this statement of chargeable and nonchargeable expenses was then audited and a copy provided to members. Members who were not satisfied with the explanation could object and their objections were then heard by an impartial decision-maker. Each member's share of the expenses reasonably in dispute was placed in escrow pending adjudication of the challenge. The Supreme Court noted in *Keller* that alternate procedures may likewise accommodate objecting members. 496 U.S. at 17.

In 1999, the State Legislature amended the procedures by which the State Bar may comply with *Keller*. The Legislature set a \$5 deduction from the annual fee for members who elect not to support lobbying and related activities of the State Bar outside of the parameters of *Keller*. Expenditures for these lobbying and related activities were limited to the amounts paid by

members not taking the optional deduction. Cal. Bus. & Prof. Code §6140.05. In addition, the Conference of Delegates and State Bar Sections could no longer be supported with membership fees. Cal. Bus. & Prof. Code §6031.5. The State Bar's annual audit includes an examination of the receipts and expenditures to assure compliance with these statutory restrictions. Cal. Bus. & Prof. Code §6145.

Similarly, the State Bar has also made optional all the expenses of other categories of activities. In the future, the State Bar may further amend the procedures in a manner which developing case law may suggest or which statutory law may require.

Availability Of Optional Deductions From 2002 Membership Fee

For 2002, members have an option to deduct a total of \$10 from the annual fee. The deduction includes the following: Pursuant to Business and Professions Code §6140.05, members who elect not to support lobbying and related activities outside of the parameters in *Keller* may deduct \$5.00 from the annual fee (the "Lobbying Deduction"). In 2002, the State Bar will treat as optional and nonchargeable the expense of all legislative activities. Members also have the option to deduct another \$5.00 if they do not wish to support programs to address issues of access and bias in the legal profession and justice system, based on race, ethnicity, gender, sexual orientation or disability; to increase participation of such minority group attorneys who have been under-represented in the administration and governance of the State Bar's programs and activities; and to maintain relations with voluntary bar associations (the "Other Optional Programs Deduction").

The bulk of the annual membership fee is expended on activities that are necessarily or reasonably related to the regulation of the legal profession or improving the quality of legal service, and therefore is chargeable to all members. A listing and description of the major categories of these chargeable activities, together with the nonchargeable and optional activities to which the Lobbying Deduction applies and the Other Optional Programs Deduction applies, appears in the State Bar's Statement of Chargeable and Nonchargeable Expenses for the Year Ending Dec. 31, 2000. In accordance with *Hudson*, the accounting firm of *Deloitte & Touche, LLP* has audited the statement and the explanatory notes accompanying it. A copy of the statement, the notes and the Independent Auditors' Report are printed with this notice. Copies are also available on the State Bar's internet site or by contacting Membership Services Operations at 415/538-2360.

A member who does not wish to support the legislative or optional program activities may elect to pay the reduced fee amounts represented by the Lobbying Deduction and the Other Optional Programs Deduction and should refer to the instructions in Part C of the notice of 2002 membership fee statement. The election must be marked by the member on his or her dues statement and returned together with the timely payment of membership fee, less only the Lobbying Deduction and/or Other Optional Programs Deduction. For more information about how to take these deductions, contact Membership Services Operations at 415/538-2360.

Challenges To Chargeable Expenses

Members are also given an opportunity to dispute the accuracy of any of the categories of chargeable expenses in the Statement of Chargeable and Nonchargeable Expenses on the grounds that a challenged category has political or ideological coloration and is not reasonably related to the State Bar's purpose of regulating the profession or improving the quality of legal service to justify the use of mandatory fees and therefore that they should not be charged for the activity. A challenge must be made by the member individually and in writing. The written challenge must include the challenger's name, address, telephone number and bar membership number and should identify the challenged category. A challenger must sign the challenge and submit it along with timely payment of the 2002 membership fee less only the Lobbying Deduction and/or the Other Optional Programs Deduction.

IMPORTANT!

ANY WRITTEN CHALLENGE AND FULL AND TIMELY PAYMENT OF THE MEMBERSHIP FEE LESS ONLY THE LOBBYING DEDUCTION AND/OR THE OTHER OPTIONAL PROGRAMS DEDUCTION MUST BE MAILED OR DELIVERED TO:

**SECRETARY
THE STATE BAR OF CALIFORNIA
180 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-1639**

Upon receipt of a properly submitted challenge, the State Bar shall place the amount of the challenger's fee that is reasonably disputed in an interest-bearing escrow account. At its next regularly scheduled meeting following the deadline or as soon thereafter as the matter may be considered, the Board of Governors shall decide whether to give a pro rata refund to the challenger or to submit the dispute for expeditious arbitration before an impartial arbitrator. If the dispute is submitted for arbitration, the Board in its discretion may consolidate all challenges. The challenger(s) and the State Bar may select a mutually agreeable, impartial arbitrator. In consolidated challenges, the arbitrator may be selected by an agreement between the State Bar and 75 percent of the challengers. If there is no agreement on an impartial arbitrator within 30 days following the decision to arbitrate, an impartial arbitrator will be appointed by the American Arbitration Association. The State Bar may extend the time to select the arbitrator, not exceeding an additional 30 days. The arbitration shall be heard at the San Francisco or Los Angeles office of the State Bar, as determined by the State Bar. The proceedings shall be informal in nature, and the State Bar shall have the burden to show that the disputed matters are within the scope of permissible activities for which mandatory fees may be used under the constitutional standard in *Keller*. The challenger(s) will be given an opportunity to present their own evidence and to present written arguments in support of their challenge(s). The arbitrator will issue a written decision and award. A member may obtain a copy of the rules in which these procedures are contained by writing to the Office of the Secretary of the State Bar at the State Bar's main office at 180 Howard Street, San Francisco, California, 94105.

THE STATE BAR OF CALIFORNIA

Statement of Chargeable and Nonchargeable Expenses for the Year Ended December 31, 2000, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

**To the Board of Governors of
The State Bar of California
San Francisco, California:**

We have audited the accompanying Statement of Chargeable and Nonchargeable Expenses (the "Statement") of The State Bar of California (the "State Bar") for the year ended December 31, 2000. This Statement is the responsibility of the State Bar management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared for the purpose of showing the allocation of certain expenses into chargeable and nonchargeable categories as described in Note 2 to the Statement and is not intended to be a complete presentation of the State Bar's assets, liabilities, revenues and expenses in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such Statement presents fairly, in all material respects, the chargeable and nonchargeable expenses of the State Bar for the year ended December 31, 2000, on the basis of presentation described in Note 2. This report is intended solely for the information and use of the Board of Governors, management of the State Bar, and members of the State Bar as defined in Note 1 to the Statement, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP, San Francisco

September 21, 2001

The State Bar of California

Statement of Chargeable and Nonchargeable Expenses year ended December 31, 2000

	Dollar Amount	Percentage of Total Program Expenses
<i>Chargeable Expenses and Related Program Revenue (Note 2):</i>		
Discipline	\$26,878,845	89.49%
Administration of justice	605,185	2.02
Competence and certification	1,917,109	6.38
Program development	382,561	1.27
 Total chargeable program expenses	 29,783,700	 99.16
Allocated administrative overhead	13,677,565	
Program revenue	(5,903,445)	
 Net chargeable expenses	 37,557,820	
<i>Nonchargeable expenses and related program revenue (Note 2):</i>		
Elimination of bias:		
Standing committees	63,035	0.21
Bar relations	61,579	0.18
Statutory lobbying deduction – Legislative affairs	126,748	0.42
 Total nonchargeable program expenses	 251,362	 0.84
Allocated administrative overhead	115,541	
Program revenue	(35,362)	
 Net actual and potential nonchargeable expense	 331,541	
 <i>Total net chargeable and nonchargeable Expenses</i>	 <i>\$37,889,361</i>	 <i>100.00%</i>

See notes to Statement of Chargeable and Nonchargeable Expenses

THE STATE BAR OF CALIFORNIA

NOTES TO STATEMENT OF CHARGEABLE AND NONCHARGEABLE EXPENSES YEAR ENDED DECEMBER 31, 2000

1. SIGNIFICANT ACCOUNTING POLICIES

Description of Entity — The State Bar of California (the “State Bar”) was first formed as a public corporation by the California State Legislature’s passage of the State Bar Act on July 29, 1927. On November 8, 1966, voters amended the California Constitution to add the State Bar as a constitutional agency in the judicial branch of government. Membership in the State Bar and payment of an annual membership fee are required as a condition of the practice of law in the State of California.

Basis of Accounting — To ensure observance of limitations and restrictions placed on the use of resources available to the State Bar, the accounts of the State Bar are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

Accounting principles generally accepted in the United States of America are applied by the State Bar in conformance with pronouncements of the Governmental Accounting Standards Board (“GASB”) and, where not in conflict with GASB pronouncements, the Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989.

The assets, liabilities, revenues, expenses and fund balances of the State Bar for the year ended December 31, 2000, were reported in 15 funds as follows: general fund, admissions fund, annual meeting fund, building fund, client security fund, conference of delegates fund, discipline fund, education foundation fund, equal access fund, grants fund, legal services trust fund, legal specialization fund, legislative activities fund, sections fund and the fixed assets fund.

Use of Estimates — The preparation of the Statement of Chargeable and Nonchargeable Expenses (the “Statement”) in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Actual results could differ from those estimates. These estimates and assumptions affect the reported amounts of chargeable and nonchargeable expenses during the reporting period.

2. BASIS OF PRESENTATION

The State Bar Act sets the annual membership fee for members of the State Bar. The amount of the annual membership fee, however, is subject to certain adjustments. The United State Supreme Court in *Keller v. State Bar of California*, 496 U.S. 1 (1990) (“*Keller*”) held that the State Bar could not use membership fees paid by an objecting member to fund political or ideological activity that was not necessarily or reasonably related to the State Bar’s purpose of regulating the legal profession or improving the quality of legal services. Effective January 1, 2000, amendments to the State Bar Act provided each member with the option of deducting \$5 from the annual membership fee for lobbying and related activities outside of the parameters established in *Keller*. (Cal. Bus. & Prof. Code §6140.05.) The amendments also prohibited the State Bar from funding the activities of its Conference of Delegates and Bar sections with mandatory membership fees. (Cal. Bus. & Prof. Code §6031.5.) In addition to these changes, the Board of Governors, beginning in 2001, provided members the option of an additional \$5 deduction from membership fees for certain other programs. Although reasonable persons may disagree whether some of these programs and activities may be chargeable under the criteria in *Keller*, the Board of Governors has elected to make them optional in their entirety.

The Statement provides the basis for the membership fee. It describes and separates the “chargeable” expenses, which a member must pay as part of the annual membership fees, and the “nonchargeable” expenses, which a member is not required to pay and may deduct. Expenses included in the Statement are derived from expenses included in the unrestricted general fund (except program costs funded by filing or other fees), the building fund and the client

security fund. Program revenue represents registration fees for law corporations, limited liability partnerships, and other certification programs; convention income; continuing legal education fees; *Cal Bar Journal* revenues; and other program revenues that are used to fund the related program expenses.

Calculation of the portions of the annual membership fee that are chargeable and nonchargeable to a member is generally based on the prior year's actual expenses. However, commencing January 1, 2000, the amount of expenses that the State Bar could incur for legislative activity outside of the parameters of *Keller* was restricted by statute to the total revenue collected from those members electing to take the \$5 deduction under Cal. Bus. & Prof. Code §6140.05. Instead of categorizing its programs as within or outside of *Keller*, the State Bar elected in 2001 to restrict the expenses of all of its legislative activity to voluntary funds and will continue to do so in 2002. Similarly, the funding of certain other programs is now limited to voluntary fees. Accordingly, while the Statement includes expenses for these activities in 2000 from the unrestricted general fund, for purposes of the 2002 annual membership fee, these expenses are treated as nonchargeable and will be funded by restricted funds composed of voluntary fees paid at the option of members. Members who do not wish to support these activities may deduct the amounts from their annual membership fees.

The following is a listing of the major expenses that the State Bar has categorized as chargeable or nonchargeable, including a description of the programs or activities performed by category. The classification of a program or expense as chargeable was based on the standards in *Keller* that have been applied to determine whether an expense was necessarily or reasonably incurred for the purpose of regulating the legal profession or improving the quality of legal services available to the people of the State of California. Nonchargeable expenses, as stated above, include the \$5 mandatory deduction provided in Bus. & Prof. Code §6140.05 and certain programs which the State Bar has elected to treat as nonchargeable. Determining which State Bar programs and activities are chargeable and nonchargeable requires that judgments be made by the State Bar. In calculating the chargeable and nonchargeable expenses, absolute precision is not expected nor required pursuant to *Chicago Teachers v. Hudson*, 475 U.S. 292, 308 (1986).

Description of Categories — Chargeable Programs

Discipline — The purpose of the Discipline program is to protect the public by regulating the conduct of California lawyers.

a. *Enforcement* \$ 18,209,785

Receive, review and analyze incoming communications which relate to disciplinary inquiries and complaints against attorneys. Investigate allegations of unethical and unprofessional conduct against attorneys who may have violated provisions of the State Bar Act, Rules of Professional Conduct or other standards of professional conduct. Prosecute attorneys in formal disciplinary hearings in the State Bar Court for violations of the State Bar Act or Rules of Professional Conduct. Activities include, as appropriate, the preparation of formal disciplinary pleadings, conduct of formal and informal discovery, and representation of the State Bar as Trial Examiners in the actual hearings and subsequent review proceedings. (Bus. & Prof. Code §§6043, 6044, 6049, 6077, 6078, 6092.5 et seq.)

b. *State Bar Court* \$ 4,687,364

Adjudicate formal disciplinary matters resulting in the final imposition of discipline or, in certain instances involving suspension or disbarment, the recommendation of discipline to the California Supreme Court. (Bus. & Prof. Code §§6086.5, 6086.6; Cal. Rules of Court, rules 952, 953, 954.)

c. *Client Security Fund* \$ 3,716,911

Receive, evaluate and process applications made to the Fund by persons who have suffered monetary losses due to dishonest conduct of lawyers and authorize recovery to eligible clients out of funds collected for this purpose. (Bus. & Prof. Code §6140.5.)

d. *Fee Arbitration* \$ 264,785

Administer a statewide program for arbitrating fee and cost disputes, and arbitrate those disputes that are not within the jurisdiction of an approved local bar association program. (Bus. & Prof. Code §6200.)

\$ 26,878,845

Administration of Justice — The purposes of the Administration of Justice program are: (1) to administer the work of the Commission on Judicial Nominees Evaluation as mandated by Government Code §12011.5; (2) to improve the quality and delivery of legal services available to the people of the State; and (3) to aid in the advancement of the science of jurisprudence and improvement of the administration of justice. This program provides specialized professional advice, analysis, studies and information to the judicial, legislative and executive branches of government.

a. *Legislation* \$ —

Provide legal analysis and technical assistance to legislators, legislative staff and committees; testify at hearings; and forward or draft letters of support/opposition on certain bills. State Bar support of legislative proposals or positions of the Conference of Delegates or Sections, even when germane under the parameters of Keller, are no longer funded with membership fees. (Bus. & Prof. Code §6031.5.) Membership fees to support other lobbying, including those outside of Keller, is now limited to the revenues from the \$5 paid voluntarily by members. (Bus. & Prof. Code §6140.05.) Beginning 2001, the Board of Governors of the State Bar approved funding of all legislative activity out of voluntary funds. Although some mandatory portion of the annual membership fee was used in 2000 to lobby legislation that was chargeable to mandatory dues under Keller (such as fixing the annual membership fee, the State Bar's functions in professional regulation and ethics, or the State Bar's administration and operations), these expenses are reported as nonchargeable because all legislative activity in 2002 will be funded with voluntary dues.

b. *Court Reform and Research Projects* \$ 312,874

Provide assistance to State Bar efforts to improve court rules, procedures, structures, and processes that affect the quality and delivery of legal services by lawyers to their clients and to coordinate these efforts with the Judicial Council, Administrative Office of the Courts, California Judges Association, California Law Revision Commission and other entities. This includes expenses and staff support to the Standing Committees on Administration of Justice, Appellate Courts, Federal Courts, and the Alternative Dispute Resolution. (Cal. Const. Art. VI §6, Bus. & Prof. Code §§6031, 6033, Gov. Code §8287.) For 2002, these functions will be transferred to legislative affairs and, even though they may be germane under the parameters in Keller, will be funded by the non-mandatory fees portion of the annual membership fee paid voluntarily by members under Bus. & Prof. Code §6140.05.

c. *Commission on Judicial Nominees Evaluation* \$ 292,311

Evaluate and report to the Governor's Office on the qualifications of judicial candidates whose names have been submitted by the Governor. (Gov. Code §12011.5.)

\$ 605,185

Competence and Certification — The Competence and Certification programs include: (1) maintaining, promoting and improving professional competence and ethics and standards of the legal profession and (2) protecting the public through the operation of certification programs.

a. *Professional Competence, Planning and Development* \$ 1,031,998

Maintain and improve the standards of the legal profession to enhance attorney competence through: (1) promulgating and strengthening professional standards to protect the public; (2) assisting members to comply voluntarily with such standards (e.g., Ethics Hotline, California Compendium on Professional Responsibility, Lawyers Personal Assistance Program); and (3) planning and development of programs to enhance attorney competence. (Bus. & Prof. Code §§6076, 6077.)

b. *Certification Programs* \$ 885,111

Develop standards for certification programs (e.g., Law Corporations, Limited Liability Partnerships, Practical Training of Law Students, Foreign Legal Consultants, MCLE, Legal Specialist) and efficiently administer such programs. (Bus. & Prof. Code §6070, Cal. Rules of Court, rules 958, 983, 988.)

\$ 1,917,109

Program Development — Program development includes activities related to improving the delivery of legal services to the public and administrative support of the California Young Lawyers Association.

a. *Legal Services Access* \$ 370,391

Provide technical assistance and support to bar associations and legal services programs to develop or expand the availability of legal services to low- and middle-income people in the State. Program development activity focuses on promoting *pro bono publico* efforts, lawyer referral services (“LRS”) and dispute resolution programs and includes administration of the LRS certification process. (Bus. & Prof. Code §§6068(h), 6155.) Provide assistance in matters related to improving access to and delivery of legal services to the public and to coordinate meetings of the Committee on Delivery of Legal Services, the purpose of which is to examine issues related to delivery of quality legal services to low- and middle-income people of the State. In 2000, the Committee on Delivery of Legal Services has replaced the Legal Services Section. Unlike the Section, the Committee does not engage in review of legislation. The Committee’s mission focuses on issues of improving the delivery of legal services to low- and middle-income clients in California.

b. *California Young Lawyers Association* \$ 12,170

Foster a greater understanding of, and encourage interest among, recently admitted and young lawyers in the program and activities of the State Bar. Provide a forum for the exchange of ideas in order to assist the State Bar in its programs. (Bus. & Prof. Code §§6013, 6013.4.)

\$ 382,561

Allocated Administrative Overhead — General and administrative expenses are incurred to provide staff and operational support to all programs and activities of the State Bar in the following areas: human resources; finance; financial planning and analysis; data processing operations and development; printing; word processing; purchasing; membership records and certification; member billing and elections; building management; law library and archives; mail; legal counsel and advice; and the formulation, implementation and administration of policies through the Board of Governors and Executive Offices.

General and administrative expenses are allocated based upon the ratio of the program’s expenditures to total program expenditures paid by mandatory dues.

Communications \$ 1,847,411

Executive Offices \$ 1,811,546

General Counsel	\$ 2,135,069
Office of Finance and Financial Planning	\$ 929,890
Office of Human Resources	\$ 1,025,708
Office of Administrative Support — Los Angeles	\$ 1,097,502
Office of Support Services — San Francisco	\$ 5,063,989
Office of Real Property (includes lease space cost)	\$ 326,986
Overhead/interfund allocation	\$ (3,219,427)
Building Fund	\$ 2,658,889
Total	\$ 13,677,563

Description of Categories — Nonchargeable Programs

The State Bar has deemed the following activities and undertakings to be optional and nonchargeable. Expenses for the Conference of Delegates or Sections are not included here as these expenses must now be funded by voluntary fees, which may not be added to the annual membership fee and must be accounted for in special funds. (Bus. & Prof. Code §6031.5.)

Elimination of Bias

- Standing Committees

Assist in work of the State Bar to eliminate bias in the justice system and legal profession and in the efforts to increase participation of attorneys who have been under-represented in the administration and governance of the State Bar's programs and activities, such as women, ethnic minority, gay, lesbian and disabled attorneys. Commencing in 2001, funding of these activities has been with voluntary fees.

- Bar Relations

Foster communications and maintain relations with voluntary bar associations.

Statutory Lobbying Deduction — Legislative Affairs

Effective January 1, 2000, Bus. & Prof. Code §6140.05 provides each member with the option to deduct \$5 from the annual membership fee for lobbying and related activities outside of the parameters of *Keller*. The statute also limits the State Bar's expenditures on lobbying deemed nonchargeable under *Keller* to voluntary membership fees composed of the sum of the \$5 paid by those members who do not take the deduction. These voluntary membership fees are accounted for in a special Legislative Activities Fund. For 2002, the State Bar will treat the expense of all legislative proposals or positions not related to determining the amount of the membership fee as optional and nonchargeable. The nonchargeable lobbying expenses will be limited to revenues received in the Legislative Activities Fund.

Allocated Administrative Overhead

General and administrative expenses are incurred to provide staffing and operational support to all programs and activities of the State Bar. General and administrative expenses are allocated based upon the ratio of the nonchargeable expenses to total chargeable and nonchargeable expenses.

All expenses not considered nonchargeable are chargeable and include the following:

- Regulation of the legal profession.

- Improving the quality of legal services through the admissions process, attorney discipline, education and development of codes of conduct.
- Evaluating judicial candidates.
- Publications to inform members about the State Bar activities to the extent that ideological and political activities are not discussed.
- Litigation related to germane activities of the State Bar.
- Services and education to promote competence and enhance the availability and quality of legal services.

3. OPTIONAL DEDUCTIONS

The State Bar has determined that an amount up to \$10.00 (ten dollars) may be deducted from the 2002 membership fees. This amount includes the \$5 set by the California Legislature for legislative and related activities and \$5 fixed by the Board of Governors of the State Bar for optional programs. The expenses for these other optional programs in 2000 are included in the Statement for information.

The deduction is allocated to the following activities:

a. Lobbying

Members who elect to deduct the \$5 from the annual membership fee will not fund legislative proposals that improve the administration of justice, but are outside the parameters of Keller. Such lobbying is limited by statute to the amount paid by members who elect not to take the deduction. (Bus. & Prof. Code §6140.05.)

b. Other Optional Programs

Members who elect to deduct the remaining \$5 from the annual membership fee will not fund the elimination of bias and bar relations programs to eliminate bias in the judicial system and legal profession and to increase participation of attorneys who have been under-represented in the administration and government of the State Bar's programs and activities, such as women, ethnic minority, gay, lesbian and disabled attorneys, and will not fund the cost of fostering communications and maintaining relations with local bars and other voluntary associations.

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