

**Department of Justice
Legal Services Revolving Fund Billing Rates**

Legal Services Revolving Fund (LSRF):

- The Department of Justice (DOJ) administers the Legal Services Revolving Fund (LSRF), which is a revolving fund supported by hourly billing rates charged to client agencies who use the Attorney General’s Office for investigation and litigation activities in any judicial or administrative adjudicative proceeding.

Cost Recovery Model:

- Government Code 11044 authorizes DOJ to charge an amount sufficient to recover the costs incurred in providing legal services to clients.
- Billing rate calculations for attorneys, paralegals, auditors, and analysts are based on DOJ’s total LSRF expenditures which is limited by the DOJ’s annual LSRF spending authority.
- Costs recovered through the billing rates include salaries and benefits, operating expenses, legal support functions (eDiscovery, Legal Secretaries, Law Library, case management, etc.), statewide allocation of central administrative services (Pro Rata), and Supplemental Pension Loan Repayments (final year 2024-25).
- Costs that are billed directly to the client such as expert witness fees, contracted services, professional studies, etc. are excluded from the cost recovery calculation. The recovery amount per billable classification are based on a percent-to-total of employees in each classification, without consideration of salary differences per class.

Rate Adjustments:

- The billing rates were updated eight times in the last 24 years, with the last increase occurring on July 1, 2024.

| Historical Billing Rate Increases | | | | | |
|-----------------------------------|-----------------|-----------|----------|-----------|---------|
| FY | Budget Letter # | Eff. Date | Attorney | Paralegal | Analyst |
| 2000 | 00-23 | 7/1/2000 | \$106 | \$53 | \$63 |
| 2001 | 01-11 | 7/1/2001 | \$112 | \$53 | \$63 |
| 2004 | 04-37 | 7/1/2004 | \$139 | \$91 | \$63 |
| 2005 | 04-37 | 7/1/2005 | \$146 | \$92 | \$63 |
| 2006 | 05-27 | 7/1/2006 | \$158 | \$101 | \$63 |
| 2009 | 08-29 | 7/1/2009 | \$170 | \$120 | \$99 |
| 2019 | 19-30 | 9/1/2019 | \$220 | \$205 | \$195 |
| 2024 | 24-26 | 7/1/2024 | \$228 | \$213 | \$202 |

Cost Drivers:

- Various cost increases occur which may drive the need to increase the LSRF billing rates. On an annual basis, the LSRF supports general salary and benefit cost adjustments associated with employee compensation and employer’s retirement contributions.

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- The LSRF spending authority consistently increased due to increased operational costs such as general salary increases and increases in benefit rates.

| FY | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 3-Yr Average |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| LSRF Spending Authority | \$196,663 | \$220,998 | \$239,797 | \$265,971 | \$257,796 | \$280,439 | \$268,069 |

In addition to program costs which are charged to the LSRF spending authority, additional costs that are directly charged to the fund balance for Pro Rata and Supplemental Pension Payment impact the LSRF cash balance.

| FY | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 3-Yr Average |
|--------------------------|----------|----------|----------|-----------|----------|----------|--------------|
| Pro Rata/Pension Payment | \$11,567 | \$14,812 | \$15,290 | \$11,385 | \$16,496 | \$20,065 | \$15,982 |
| YOY Change | N/A | \$3,245 | \$478 | (\$3,905) | \$5,111 | \$3,569 | \$1,592 |
| % Change | N/A | 28.05% | 3.23% | -25.54% | 44.89% | 21.64% | 13.66% |

Rate Formula:

Rate = Total Required Recovery per Professional Type ÷ Billable Hours per Professional Type

- The billing rate formula factors the total LSRF expenditures, excluding costs that are billed directly to the client such as expert witness fees, contracted services, professional studies, etc.
- Based on the 2024-25 rate review, the LSRF costs that the rates must recover was \$242,385,000 and the projected billable workload was 1,071,807 hours.
- Each professional type's estimated costs were based on the number of positions in each group and the total costs were divided between each professional type on a percent-to-total.

| Recovery Base | \$242,385,000 | | | | | | |
|--------------------|------------------|----------------|------------------|---------------------------|---------------|------------------|--------------------------|
| Professional Type | Billable Hours | Workload Ratio | Current Rates | Current Rates Collections | % Increase | Revised Rates | Revised Rate Collections |
| Analyst | 4,788 | 0.45% | \$195 | \$934,000 | 3.78% | \$202 | \$969,000 |
| Paralegal | 135,174 | 12.61% | \$205 | \$27,711,000 | 3.74% | \$213 | \$28,747,000 |
| Attorney | 931,845 | 86.94% | \$220 | \$205,006,000 | 3.74% | \$228 | \$212,669,000 |
| Grand Total | 1,071,807 | 100.00% | | \$233,651,000 | 11.26% | | \$242,385,000 |
| | | | Shortfall | (\$8,734,000) | | Shortfall | \$0 |

**Legal Services Revolving Fund (LSRF) Billing Rates
Frequently Asked Questions**

1. What are legal billing rates and why does DOJ use them?

The Department of Justice (DOJ) administers the Legal Services Revolving Fund (LSRF), which is used by the Attorney General for investigation and litigation activities, and for competent legal representation of state agencies and employees in any judicial or administrative adjudicative proceeding. Government Code 11044 authorizes DOJ to charge an amount sufficient to recover the costs incurred in providing these legal services, and therefore, clients are charged corresponding hourly billing rates for attorney, paralegal, and auditor/research analyst services.

Government Code 11044:

(a) The Legal Services Revolving Fund is hereby created in the State Treasury. The Department of Justice shall administer this fund. Moneys in the fund, upon appropriation by the Legislature, shall be used by the Attorney General for investigation and litigation activities taken on behalf of the state agencies employing the legal services of the department and for investigation and litigation activities funded through judgments or settlements.

(b) For state agencies, departments, or programs that are charged for the costs of legal services rendered by the Attorney General, the Attorney General shall charge an amount sufficient to recover the costs incurred in providing the legal services. These funds shall be deposited into the Legal Services Revolving Fund.

(c) Upon the request of the Attorney General in the form prescribed by the Controller, the Controller shall transfer the amount of the charges for services rendered from the agency's appropriation to the appropriation for the support of the Attorney General's office using the Controller's direct transfer process. Payments for these charges shall be credited to and in augmentation of the appropriation for the support of the Attorney General's office from which the cost of the services was or will be paid.

(d) A state agency that has a dispute regarding charges for legal services provided by the Attorney General shall notify the Attorney General, in writing, of the dispute and the basis for it. All disputes shall be resolved in accordance with subdivision (l) of Section 8474.1 of Chapter 8400 of the State Administrative Manual. Upon resolution of the dispute in favor of the state agency, the Attorney General shall provide a credit to the state agency for the amount of the charges in dispute.

2. Who is affected by the legal billing rates?

All DOJ legal clients for whom billable work is performed.

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3. What was the old rate?

From September 1, 2019 through June 30, 2024, the DOJ legal billing rates were:

Attorney \$220
Paralegal \$205
Analyst \$195

4. What is the new rate and when does the new rate take effect?

Effective July 1, 2024, the revised DOJ legal billing rates are:

Attorney \$228
Paralegal \$213
Analyst \$202

5. Why is DOJ increasing its rates?

The billing rates were updated eight times in the last 24 years, with the last increase occurring on July 1, 2024.

| Historical Billing Rate Increases | | | | | |
|-----------------------------------|-----------------|-----------|----------|-----------|---------|
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| 2000 | 00-23 | 7/1/2000 | \$106 | \$53 | \$63 |
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Various cost increases occur which may drive the need to increase the LSRF billing rates. On an annual basis, the LSRF supports general salary and benefit cost adjustments associated with employee compensation and employer's retirement contributions. The LSRF spending authority consistently increased due to increased operational costs such as general salary increases and increases in benefit rates.

| FY | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 3-Yr Average |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| LSRF Spending Authority | \$196,663 | \$220,998 | \$239,797 | \$265,971 | \$257,796 | \$280,439 | \$268,069 |

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| % Change | N/A | 28.05% | 3.23% | -25.54% | 44.89% | 21.64% | 13.66% |

6. Will the rates continue to increase? How frequently?

DOJ will reassess its legal billing rates on an annual basis to ensure sufficient recovery of operational costs each fiscal year. The level of increase and its frequency will be determined based on the condition of the fund.

7. How were clients notified of the rate increase?

Notice of the rate increase were sent to all client agencies on July 12, 2024.

8. How were the new rates determined?

The billing rate formula factors the total LSRF expenditures, excluding costs that are billed directly to the client such as expert witness fees, contracted services, professional studies, etc.

Based on the 2024-25 rate review, the LSRF costs that the rates must recover was \$242,385,000 and the projected billable workload was 1,071,807 hours.

Each professional type's estimated costs were based on the number of positions in each group and the total costs were divided between each professional type on a percent-to-total.

The billable workload hours were based on the actual workload from 2022-23 and the recovery base was based on 2022-23 actual LSRF expenditures.

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|--------------------|------------------|----------------|------------------|---------------------------|---------------|------------------|--------------------------|
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9. Who determines the final rate?

DOJ conducts the rate analysis and determines the necessary recovery rates, but the implementation must be approved by the Department of Finance.

10. Does DOJ generate revenues by charging the legal billing rates?

No, the DOJ legal billing rates only recover costs incurred in the LSRF, and the DOJ may only spend this revenue as authorized by the Legislature.

11. What DOJ costs do the rates cover?

Billing rate calculations are based on DOJ's total LSRF spending authority. Costs recovered include salaries and wages, staff benefits, and all operating expense and equipment costs with the exception of costs billed directly to the client such as expert witness fees, contracted services, professional studies, etc.

12. Will I receive better service now that the new rates have gone up?

Because the rates have not increased for a decade, DOJ was limited in aligning staffing levels to the service level needs of the clients. With the revised rates, the recoveries will appropriately fund legal services costs, and as a result, will allow DOJ to fully utilize its LSRF authority, and provide flexibility in adding resources as needed by the clients.

13. What steps have DOJ taken to keep its costs down?

Historically, to work within insufficient revenues, DOJ has attained savings by holding vacancies, postponing backfills, delayed hires, shifting costs to future years, implementing spending restrictions to limit expenditures to the level of revenues available, etc. On an ongoing basis, the DOJ will continue efforts to utilize all resources in the most efficient, effective, and fiscally prudent manner.

14. Do I have to use DOJ for legal services?

Yes. The employment of the Attorney General as counsel for the representation of state agencies and employees in judicial and administrative adjudicative proceedings is mandated by statute, and ensures the overall efficiency and economy in state government.

Reference:

Government Code Sections 11040 through 11045

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15. What options are available to clients that cannot afford the new rates?

Client agencies are encouraged to work with the Department of Finance to determine if an appropriation adjustment is necessary to support the increased legal services costs.

16. Who can I contact if there are additional questions?

For questions specifically about the DOJ legal billing rates, contact Maria Celerio at maria.celerio@doj.ca.gov.