



# THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

## MEMORANDUM

**DATE:** February 23, 2016  
**TO:** Members, Planning and Budget Committee  
Members, Board of Trustees  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** Client Security Fund Report for the Year Ended  
December 31, 2015

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the year ended December 31, 2015. These reports include:

- Applications Activity for the year ended December 31, 2015
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid
- Analysis of New Applications Paid, Rejected or Withdrawn
- Ten-Year Comparison 2006-2015

As of December 31, a total of 1178 new applications in the amount of \$17.3 million were filed in 2015. The number of applications filed is down by 24.2% compared to 1,554 applications filed last year. The application amount decreased by \$3.5 million, or 16.8% compared to \$20.8 million filed as of the same quarter in 2014.

For the year quarter ended December 31, 2015, total applications processed are 1,387 for approximately \$14.4 million. Total payouts for the reported quarter are \$6.0 million, down by \$3.0 million compared to last year. Total applications pending for processing as of December 31, 2015 are 5,465 in the amount of \$49.9 million, and for the same period in 2014, there were 5,674 pending applications in the amount of \$46.7 million. Number of applications pending for processing for the year end of 2015 is down by 209 or 3.7% compared to the last year. This is a result of a Board's decision in 2013 and 2014 to devote additional financial resources to mitigate the pending application waiting time.

For this report, the Office of Finance estimated the application payout amount based on a rolling average of 24 month historical applications payout ratio, currently 37.9%. Total applications outstanding as of December 31, 2015 are 5,465 for \$49.9 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout as of December 31, 2015 is \$18.9 million and there is a increase of \$1.3 million or 7.4% compared to \$17.6 million last year.

As of December 31, 2015, cash and investments available for applications reimbursement are approximately \$2.2 million. Estimated application payout for 2015 is \$18.9 million, which exceeds the cash and investment available by \$16.7 million. According to the State Bar Act, the CSF application disbursement is discretionary and subject to regulation and conditions as the Board prescribes; therefore, the estimated application payout amount does not necessarily represent the State Bar's obligations to pending and future applicants. The State Bar management team is currently performing an in-depth analysis of the pending application inventory to determine the needs for and the timing of a possible fee increase.

If you have any questions or would like additional information, please contact Christine Wong at [Christine.Wong@calbar.ca.gov](mailto:Christine.Wong@calbar.ca.gov).

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
STATUS ON APPLICATIONS ACTIVITIES  
DECEMBER 31, 2015  
YEAR TO DATE ACTIVITIES**

	<u>\$1 - 2,500</u>		<u>\$2,501 - 5,000</u>		<u>\$5,001 - 10,000</u>		<u>\$10,001 - 25,000</u>		<u>\$25,001 - 49,999</u>		<u>\$50,000</u>		<u>\$50,001 - 100,000</u>		<u>TOTAL</u>	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
<b>Prior Years' Applications</b>	1,317	2,477,516	2,800	10,586,068	858	5,953,966	366	5,952,109	120	4,187,041	63	3,106,440	150	14,657,395	5,674	46,920,535
<b>New Applications</b>	223	354,864	396	1,520,730	257	1,842,085	130	2,095,191	56	1,994,712	27	1,350,000	89	8,170,442	1,178	17,328,024
<b>Paid Applications</b>	(183)	(329,874)	(369)	(1,319,793)	(146)	(936,946)	(71)	(966,588)	(26)	(643,618)	(8)	(323,917)	(18)	(1,491,717)	(821)	(6,012,453)
<b>Rejected Applications</b>	(15)	(44,105)	(10)	(90,957)	(13)	(218,457)	(12)	(455,345)	(7)	(464,695)	(7)	(432,523)	(10)	(1,223,798)	(74)	(2,929,880)
<b>Withdrawn Applications</b>	(126)	(213,973)	(172)	(665,515)	(90)	(658,730)	(48)	(781,474)	(24)	(833,398)	(14)	(700,000)	(18)	(1,585,807)	(492)	(5,438,897)
<b>Applications Outstanding</b>	<b>1,216</b>	<b>2,244,428</b>	<b>2,645</b>	<b>10,030,533</b>	<b>866</b>	<b>5,981,918</b>	<b>365</b>	<b>5,843,893</b>	<b>119</b>	<b>4,240,042</b>	<b>61</b>	<b>3,000,000</b>	<b>193</b>	<b>18,526,515</b>	<b>5,465</b>	<b>49,867,329</b>
<b>New applications % to total</b>	18.93%	2.05%	33.62%	8.78%	21.82%	10.63%	11.04%	12.09%	4.75%	11.51%	2.29%	7.79%	7.56%	47.15%	100.00%	100.00%
<b>Applications paid % to total</b>	22.29%	5.49%	44.95%	21.95%	17.78%	15.58%	8.65%	16.08%	3.17%	10.70%	0.97%	5.39%	2.19%	24.81%	100.00%	100.00%
<b>Applications rejected or withdrawn % to total</b>	24.91%	3.08%	32.16%	9.04%	18.20%	10.48%	10.60%	14.78%	5.48%	15.51%	3.71%	13.53%	4.95%	33.57%	100.00%	100.00%
<b>Applications outstanding % to total</b>	22.25%	4.50%	48.40%	20.11%	15.85%	12.00%	6.68%	11.72%	2.18%	8.50%	1.12%	6.02%	3.53%	37.15%	100.00%	100.00%

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
APPLICATIONS AGING REPORT  
AS OF DECEMBER 31, 2015**

<u>Year</u> <u>Application Filed</u>	<u>Gross Applications Prior</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected or</u> <u>Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications Outstanding</u>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
2008	1	1,605			0	-	0	0.00	-	-	1	1,605
2009	431	1,379,815			0	-	(2)	(45,209)	(2)	(45,209)	429	1,334,606
2010	659	2,290,197			(6)	(20,350)	(8)	(52,756)	(14)	(73,106)	645	2,217,091
2011	918	5,458,063			(120)	(912,250)	(19)	(486,771)	(139)	(1,399,021)	779	4,059,042
2012	1,101	8,808,901			(148)	(1,489,218)	(83)	(1,381,570)	(231)	(2,870,788)	870	5,938,113
2013	1,290	13,103,116			(431)	(2,931,748)	(198)	(2,644,631)	(629)	(5,576,379)	661	7,526,737
2014	1,274	15,878,838			(96)	(546,271)	(109)	(1,360,242)	(205)	(1,906,513)	1,069	13,972,325
2015			1,178	17,328,024	(20)	(112,616)	(147)	(2,397,598)	(167)	(2,510,214)	1,011	14,817,810
<b>TOTAL</b>	<b>5,674</b>	<b>46,920,535</b>	<b>1,178</b>	<b>17,328,024</b>	<b>(821)</b>	<b>(6,012,453)</b>	<b>(566)</b>	<b>(8,368,777)</b>	<b>(1,387)</b>	<b>(14,381,230)</b>	<b>5,465</b>	<b>49,867,329</b>

Applications Outstanding	<b>\$49,867,329</b>
Estimated Application Payout Ratio	<u><b>37.96%</b></u>
Estimated Application Payouts	<u><u><b>\$18,929,638</b></u></u>

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**CUMULATIVE APPLICATIONS AGING REPORT**  
**AS OF DECEMBER 31, 2015**

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected and Withdrawn</u>		<u>Total Applications Processed</u>		<u>Applications Outstanding</u>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
2007-2008	1	1,605	-	-	-	-	-	-	-	-	1	1,605
2007-2009	432	1,381,420	-	-	-	-	(2)	(45,209)	(2)	(45,209)	430	1,336,211
2007-2010	1,091	3,671,617	-	-	(6)	(20,350)	(10)	(97,965)	(16)	(118,315)	1,075	3,553,302
2007-2011	2,009	9,129,680	-	-	(126)	(932,600)	(29)	(584,736)	(155)	(1,517,336)	1,854	7,612,344
2007-2012	3,110	17,938,581	-	-	(274)	(2,421,818)	(112)	(1,966,306)	(386)	(4,388,124)	2,724	13,550,457
2007-2013	4,400	31,041,697	-	-	(705)	(5,353,566)	(310)	(4,610,937)	(1,015)	(9,964,503)	3,385	21,077,194
2007-2014	5,674	46,920,535	-	-	(801)	(5,899,837)	(419)	(5,971,179)	(1,220)	(11,871,016)	4,454	35,049,519
2007-2015					(821)	(6,012,453)	(566)	(8,368,777)	(1,387)	(14,381,230)	5,465	49,867,329
			<b>1,178</b>	<b>17,328,024</b>	<b>(821)</b>	<b>(6,012,453)</b>	<b>(566)</b>	<b>(8,368,777)</b>	<b>(1,387)</b>	<b>(14,381,230)</b>	<b>5,465</b>	<b>49,867,329</b>

Net Asset in Client Security Fund:  
As of 12/31/2015 **\$ 2,202,581**

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO  
JANUARY 2014 THROUGH DECEMBER 2015**

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Montly Average Payout Ratio	Amount	Amount
Jan 14	-	0.00%	969,609	969,609
Feb 14	1,340,384	33.46%	2,665,390	4,005,774
Mar 14	384,500	21.70%	1,387,129	1,771,629
Apr 14	758,265	33.21%	1,525,322	2,283,587
May 14	1,230,402	72.36%	469,884	1,700,286
Jun 14	1,070,085	43.82%	1,372,138	2,442,224
July 14	606,045	27.83%	1,571,864	2,177,909
Aug 14	940,626	32.47%	1,956,177	2,896,803
Sept 14	302,866	19.42%	1,256,392	1,559,257
Oct 14	813,687	37.73%	1,342,922	2,156,609
Nov 14	155,599	14.28%	933,993	1,089,592
Dec 14	1,428,927	65.09%	766,551	2,195,478
Jan 15	192,463	22.95%	646,123	838,586
Feb15	555,128	48.27%	594,992	1,150,120
Mar15	208,160	18.03%	946,337	1,154,497
Apr 15	162,537	14.20%	982,280	1,144,817
May15	243,019	55.01%	198,752	441,771
Jun15	439,778	35.28%	806,642	1,246,420
July15	136,556	44.92%	167,453	304,009
Aug15	603,625	30.26%	1,391,476	1,995,101
Sept15	1,507,143	71.86%	590,210	2,097,353
Oct 15	485,367	53.03%	429,944	915,311
Nov 15	1,138,956	83.32%	228,042	1,366,998
Dec 15	339,721	19.68%	1,386,523	1,726,244
<b>Total:</b>	<b>15,043,839</b>		<b>24,586,145</b>	<b>39,629,984</b>

24 Month Rolling Average PaidOut Ratio:

37.96%

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
ANALYSIS OF NEW APPLICATIONS PAID, REJECTED  
OR WITHDRAWN, ESTIMATED  
APPLICATIONS PAYOUTS PER ACTIVE ATTORNEY**

**DECEMBER 31, 2015**

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>
Beginning Balance	5,674	5,774	5,837	5,701
Add: Reinstated Applications				
New Applications	318	331	255	274
Less: Paid / Rejected or Withdrawn	218	268	391	510
<b>TOTAL</b>	<b>5,774</b>	<b>5,837</b>	<b>5,701</b>	<b>5,465</b>
 APPLICATIONS OUTSTANDING AMT.	 \$47,877,332	 \$ 50,228,593	 \$ 49,702,912	 \$ 49,867,330
# Of Active Attorneys	183,722	184,339	185,241	185,538
Cost Per Active Attorney	\$261	\$272	\$268	\$269
 ESTIMATED APPLICATIONS LIAB.				
Applications Payout Ratio	36.90%	36.74%	34.38%	37.96%
Estimated Application Amount *	\$17,666,735	\$18,453,985	\$17,087,861	\$18,929,638
# of Active Attorneys	183,722	184,339	185,241	185,538
Cost per Active Attorney	\$96	\$100	\$92	\$102
 APPLICATION ACTIVITIES IN %:				
 NEW APPLICATIONS - YTD				
1 - 2,500	2.05%	2.07%	2.07%	2.05%
2,501 - 5,000	11.06%	9.10%	8.93%	8.78%
5,001 - 10,000	10.70%	10.24%	10.25%	10.63%
10,001 - 25,000	12.90%	12.38%	12.18%	12.09%
25,001 - 49,999	18.60%	12.39%	11.96%	11.51%
50,000	7.04%	6.91%	8.36%	7.79%
50,001 - 100,000	37.66%	46.91%	46.25%	47.15%
 APPLICATIONS PAID - YTD				
1 - 2,500	8.32%	8.27%	5.81%	5.49%
2,501 - 5,000	18.45%	16.81%	14.62%	21.95%
5,001 - 10,000	12.38%	16.99%	15.94%	15.58%
10,001 - 25,000	9.03%	17.95%	16.64%	16.08%
25,001 - 49,999	16.56%	12.94%	14.85%	10.70%
50,000	20.03%	13.40%	8.00%	5.39%
50,001 - 100,000	15.23%	13.63%	24.14%	24.81%
 REJ./WDRAWN - YTD				
1 - 2,500	2.13%	2.83%	2.78%	3.08%
2,501 - 5,000	5.78%	5.98%	7.77%	9.04%
5,001 - 10,000	8.10%	8.37%	9.27%	10.48%
10,001 - 25,000	8.71%	10.93%	13.00%	14.78%
25,001 - 49,999	18.77%	15.82%	16.15%	15.51%
50,000	12.12%	15.93%	13.16%	13.53%
50,001 - 100,000	44.38%	40.13%	37.86%	33.57%
 APPLICATIONS O/S-CUM. - YTD				
1 - 2,500	5.10%	4.79%	4.71%	4.50%
2,501 - 5,000	22.47%	21.67%	21.47%	20.11%
5,001 - 10,000	12.70%	12.46%	12.21%	12.00%
10,001 - 25,000	13.05%	12.59%	12.19%	11.72%
25,001 - 49,999	9.20%	8.87%	8.33%	8.50%
50,000	6.17%	5.67%	6.14%	6.02%
50,001 - 100,000	31.32%	33.95%	34.95%	37.15%
 NET ASSET, END OF PERIOD	 \$ 8,029,042	 \$ 7,186,943	 \$ 4,512,158	 \$ 2,202,581

\*Based upon 24 month rolling weighted average of applications payout ratio (See page 4)

State Bar of California  
Client Security Fund  
Ten Years Comparison  
2006-2015

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015	
	# of Applications	Amount																		
Applications outstanding, begin of year	787	10,396,199	797	9,579,525	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550	6,342	50,528,936	5,674	46,703,719
Prior year's outstanding application adjustment	(2)	241,984	-	69,048	-	107,497	-	15,532	-	100,260	-	194,064	-	108,564	-	243,483	-	596,474	-	216,816
New Applications	1,314	10,916,591	1,013	12,927,446	825	11,290,084	3,028	19,469,661	3,875	23,231,936	3,411	26,086,578	2,767	25,112,748	2,228	22,825,372	1,554	20,842,066	1,178	17,328,024
<b>TOTAL APPLICATIONS</b>	<b>2,099</b>	<b>21,554,774</b>	<b>1,810</b>	<b>22,576,019</b>	<b>1,612</b>	<b>23,208,724</b>	<b>3,738</b>	<b>31,356,734</b>	<b>6,872</b>	<b>45,457,046</b>	<b>9,523</b>	<b>60,794,289</b>	<b>10,112</b>	<b>70,548,416</b>	<b>10,029</b>	<b>78,587,404</b>	<b>7,896</b>	<b>71,967,476</b>	<b>6,852</b>	<b>64,248,559</b>
Less: Processed Applications:																				
Paid	943	5,299,061	607	4,352,110	479	4,638,272	378	3,461,950	267	3,331,124	1,534	7,819,854	1,466	6,870,643	1,999	11,054,352	1,152	9,031,386	821	6,012,453
Rejected	24	1,799,629	42	2,066,308	57	2,196,878	52	1,930,226	138	2,869,032	54	2,585,888	112	3,092,632	68	3,096,196	116	4,575,621	74	2,929,880
Withdrawn	335	4,876,559	374	4,346,458	366	4,502,033	311	3,839,708	355	4,743,243	590	5,061,443	733	5,066,591	1,620	13,907,920	954	11,656,750	492	5,438,896
<b>TOTAL PROCESSED APPLICATIONS</b>	<b>1,302</b>	<b>11,975,249</b>	<b>1,023</b>	<b>10,764,876</b>	<b>902</b>	<b>11,337,183</b>	<b>741</b>	<b>9,231,884</b>	<b>760</b>	<b>10,943,399</b>	<b>2,178</b>	<b>15,467,185</b>	<b>2,311</b>	<b>15,029,866</b>	<b>3,687</b>	<b>28,058,468</b>	<b>2,222</b>	<b>25,263,757</b>	<b>1,387</b>	<b>14,381,229</b>
Applications outstanding, end of year	797	9,579,525	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104	7,801	55,518,550	6,342	50,528,936	5,674	46,703,719	5,465	49,867,330
Applications outstanding inc./(dec.) over beginning balance	10	(816,674)	(10)	2,231,618	(77)	60,398	2,287	10,253,309	3,115	12,388,797	1,233	10,813,457	456	10,191,446	(1,459)	(4,989,614)	(668)	(3,825,217)	(209)	3,163,611
Applications payout ratio		42.86%		42.45%		40.68%		39.38%		33.67%		42.22%		48.17%		41.60%		37.68%		37.96%
Est. applications payouts		\$4,105,784		\$5,013,830		\$4,829,343		\$8,712,766		\$11,620,745		\$19,137,103		\$26,743,285		\$21,020,037		\$17,597,961		\$18,929,638
Net Assets, end of year		\$2,325,593		\$2,990,889		\$4,304,519		\$2,678,965		\$2,322,315		(\$7,215,281)		(\$15,638,262)		(\$15,444,495)		(\$15,389,407)		(\$16,727,057)
Net Assets., end of year - cash basis		6,431,377		8,004,719		9,133,862		11,391,731		13,943,060		11,921,822		11,105,023		5,575,542		2,208,554		2,202,581
Estimated Decrease/(Increase) in Application Payouts:		446,711		(908,046)		184,487		(3,883,423)		(2,907,979)		(7,516,358)		(7,606,182)		5,723,248		3,422,076		(1,331,677)