



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

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MEMORANDUM

DATE: November 16, 2016

TO: Members, Planning and Budget Committee
Members, Board of Trustees

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Client Security Fund Report for the Quarter Ended
September 30, 2016

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended September 30, 2016. These reports include:

- Applications Activity for the quarter ended September 30, 2016
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid
- Analysis of New Applications Paid, Rejected or Withdrawn

As of September 30, a total of 922 new applications in the amount of \$13.9 million were filed in 2016. The number of applications filed is up by 2.0% compared to 904 applications filed last year. The application amount increased by \$0.7 million, or 5.3% compared to \$13.2 million filed as of the same quarter in 2015.

For the third quarter ended September 30, 2016, total applications processed are 1,412 for approximately \$11.5 million. Total payouts for the reported quarter are \$5.6 million, increased by \$1.5 million compared to last year. Total applications pending for processing as of September 30, 2016 are 4,975 in the amount of \$52.5 million, and for the same period in 2015, there were 5,701 pending applications in the amount of \$49.7 million. Number of applications pending for processing as of September 30, 2016 is down by 726 or 12.7% compared to last year.

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 44.78%. Total applications outstanding as of September 30, 2016 are 4,975 for \$52.5 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application

payout as of September 30, 2016 is \$23.5 million, an increase of \$6.4 million or 37.4 % compared to \$17.1 million last year. As of September 30, 2016, cash and investments available for applications reimbursement in the CSF are approximately \$5.5 million.

To mitigate the pending CSF application waiting time and be in compliance with the Bar's reserve policy to spend down the reserve balances in certain Funds that have balances in excess of the 30% reserve ceiling, in March, the Board of Trustees approved two inter-fund transfers from the Lawyer Assistance Program and Legislative Activity Fund for a total of \$2.02 million to the CSF Fund. As a result, the CSF payout has increased by \$1.4 million as of September 30, 2016.

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
STATUS ON APPLICATIONS ACTIVITIES
SEPTEMBER 30, 2016
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 |
| Prior Years' Applications | 1,217 | \$ 2,250,203 | 2,644 | \$ 10,043,891 | 866 | \$ 6,004,089 | 365 | \$ 5,852,139 | 119 | \$ 4,240,424 | 28 | \$ 3,050,000 | 226 | \$ 18,628,832 | 5,465 | \$ 50,069,578 |
| New Applications | 173 | \$ 289,095 | 291 | \$ 1,072,879 | 169 | \$ 1,240,934 | 156 | \$ 2,505,356 | 40 | \$ 1,445,179 | 21 | \$ 1,050,000 | 72 | \$ 6,304,438 | 922 | \$ 13,907,881 |
| Paid Applications | (245) | \$ (445,654) | (606) | \$ (2,280,904) | (185) | \$ (1,128,346) | (39) | \$ (508,711) | (12) | \$ (330,451) | (6) | \$ (256,997) | (10) | \$ (660,723) | (1,103) | \$ (5,611,786) |
| Rejected Applications | (5) | \$ (35,101) | (7) | \$ (148,044) | (4) | \$ (150,234) | (5) | \$ (197,738) | (2) | \$ (184,967) | (7) | \$ (408,875) | (8) | \$ (1,064,333) | (38) | \$ (2,189,292) |
| Withdrawn Applications | (77) | \$ (128,804) | (102) | \$ (400,702) | (36) | \$ (242,946) | (21) | \$ (321,201) | (4) | \$ (177,321) | (11) | \$ (550,000) | (20) | \$ (1,868,875) | (271) | \$ (3,689,849) |
| Applications Outstanding | 1,063 | \$ 1,929,739 | 2,220 | \$ 8,287,120 | 810 | \$ 5,723,497 | 456 | \$ 7,329,845 | 141 | \$ 4,992,864 | 25 | \$ 2,884,128 | 260 | \$ 21,339,339 | 4,975 | \$ 52,486,532 |
| New applications % to total | 18.76% | 2.08% | 31.56% | 7.71% | 18.33% | 8.92% | 16.92% | 18.01% | 4.34% | 10.39% | 2.28% | 7.55% | 7.81% | 45.33% | 100.00% | 100.00% |
| Applications paid % to total | 22.21% | 7.94% | 54.94% | 40.64% | 16.77% | 20.11% | 3.54% | 9.07% | 1.09% | 5.89% | 0.54% | 4.58% | 0.91% | 11.77% | 100.00% | 100.00% |
| Applications rejected or withdrawn % to total | 26.54% | 2.79% | 35.28% | 9.33% | 12.94% | 6.69% | 8.41% | 8.83% | 1.94% | 6.16% | 5.83% | 16.31% | 9.06% | 49.89% | 100.00% | 100.00% |
| Applications outstanding % to total | 21.37% | 3.68% | 44.62% | 15.79% | 16.28% | 10.90% | 9.17% | 13.97% | 2.83% | 9.51% | 0.50% | 5.49% | 5.23% | 40.66% | 100.00% | 100.00% |

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
APPLICATIONS AGING REPORT
AS OF SEPTEMBER 30, 2016

| <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 | | | - | - | - | - | - | - | 1 | 1,605 |
| 2009 | 429 | 1,335,666 | | | (171) | (522,716) | (9) | (42,434) | (180) | (565,150.00) | 249 | 770,516 |
| 2010 | 645 | 2,217,091 | | | (4) | (10,770) | (17) | (50,079) | (21) | (60,849.00) | 624 | 2,156,242 |
| 2011 | 779 | 4,129,417 | | | (454) | (2,057,469) | (55) | (564,738) | (509) | (2,622,207) | 270 | 1,507,210 |
| 2012 | 870 | 6,044,175 | | | (129) | (1,043,968) | (24) | (599,364) | (153) | (1,643,332) | 717 | 4,400,843 |
| 2013 | 661 | 7,551,148 | | | (247) | (1,472,537) | (48) | (1,123,989) | (295) | (2,596,526) | 366 | 4,954,622 |
| 2014 | 1069 | 13,972,576 | | | (75) | (355,561) | (38) | (995,454) | (113) | (1,351,015) | 956 | 12,621,560 |
| 2015 | 1011 | 14,817,810 | | | (17) | (128,761) | (63) | (1,532,126) | (80) | (1,660,887) | 931 | 13,156,923 |
| 2016 | | 90 | 922 | 13,907,881 | (6) | (20,004) | (55) | (970,956) | (61) | (990,960) | 861 | 12,917,011 |
| TOTAL | 5,465 | 50,069,578 | 922 | 13,907,881 | (1103) | (5,611,786) | (309) | (5,879,140) | (1,412) | (11,490,926) | 4,975 | 52,486,532 |

| | |
|------------------------------------|---------------------|
| Applications Outstanding | \$52,486,532 |
| Estimated Application Payout Ratio | 44.78% |
| Estimated Application Payouts | \$23,503,469 |

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CUMULATIVE APPLICATIONS AGING REPORT
AS OF SEPTEMBER 30, 2016

| <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>Prior Years</u> | | # | Amount | # | Amount | # | Amount | # | Amount | # | Amount |
| | # | Amount | | | | | | | | | | |
| 2007-2008 | 1 | 1,605 | | | - | - | - | - | - | - | 1 | 1,605 |
| 2007-2009 | 430 | 1,337,271 | | | (171) | (522,716) | (9) | (42,434) | (180) | (565,150) | 250 | 772,121 |
| 2007-2010 | 1,075 | 3,554,362 | | | (175) | (533,486) | (26) | (92,513) | (201) | (625,999) | 874 | 2,928,363 |
| 2007-2011 | 1,854 | 7,683,779 | | | (629) | (2,590,955) | (81) | (657,251) | (710) | (3,248,206) | 1,144 | 4,435,573 |
| 2007-2012 | 2,724 | 13,727,954 | | | (758) | (3,634,923) | (105) | (1,256,615) | (863) | (4,891,538) | 1,861 | 8,836,416 |
| 2007-2013 | 3,385 | 21,279,102 | | | (1,005) | (5,107,460) | (153) | (2,380,604) | (1,158) | (7,488,064) | 2,227 | 13,791,038 |
| 2007-2014 | 4,454 | 35,251,678 | | | (1,080) | (5,463,021) | (191) | (3,376,058) | (1,271) | (8,839,079) | 3,183 | 26,412,598 |
| 2007-2015 | 5,465 | 50,069,488 | | | (1,097) | (5,591,782) | (254) | (4,908,184) | (1,351) | (10,499,966) | 4,114 | 39,569,521 |
| 2007-2016 | 5,465 | 50,069,578 | | | (1,103) | (5,611,786) | (309) | (5,879,140) | (1,412) | (11,490,926) | 4,975 | 52,486,532 |
| | | | 922 | 13,907,881 | (1,103) | (5,611,786) | (309) | (5,879,140) | (1,412) | (11,490,926) | 4,975 | 52,486,532 |

Net Asset in Client Security Fund:
As of 9/30/2016 **\$ 5,513,056**

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO
JULY 2014 THROUGH JUNE 2016

| Month Covered | <u>PAID APPLICATIONS</u> | | <u>REJECTED/ WITHDRAWN APPLICATIONS</u> | <u>PROCESSED</u> |
|---------------|--------------------------|-----------------------------|---|--------------------------|
| | Amount | Montly Average Payout Ratio | Amount | Amount |
| Oct 14 | 813,687 | 37.73% | 1,342,923 | 2,156,610 |
| 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 |
| Jan 16 | 585,226 | 49.06% | 607,752 | 1,192,978 |
| Feb16 | 886,832 | 67.24% | 432,125 | 1,318,957 |
| Mar16 | 828,661 | 56.07% | 649,255 | 1,477,916 |
| Apr16 | 710,863 | 28.12% | 1,816,690 | 2,527,553 |
| May16 | 529,062 | 60.57% | 344,346 | 873,408 |
| Jun16 | 608,801 | 49.98% | 609,260 | 1,218,061 |
| July16 | 290,255 | 47.71% | 318,127 | 608,382 |
| Aug16 | 659,281 | 57.19% | 493,532 | 1,152,813 |
| Sept16 | 512,805 | 45.75% | 608,055 | 1,120,860 |
| Total: | <u>14,022,452</u> | | <u>17,291,383</u> | <u>31,313,835</u> |

24 Month Rolling Average PaidOut Ratio: 44.78%

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

SEPTEMBER 30, 2016

| | <u>1ST QTR</u> | <u>2ND QTR</u> | <u>3RD QTR</u> |
|---------------------------------------|----------------|----------------|----------------|
| Beginning Balance | 5,465 | 5,245 | 5,068 |
| Add: Reinstated Applications | | | |
| New Applications | 296 | 259 | 367 |
| Less: Paid / Rejected or Withdrawn | 516 | 436 | 460 |
| TOTAL | 5,245 | 5,068 | 4,975 |
| | | | |
| APPLICATIONS OUTSTANDING AMT. | \$50,453,486 | \$ 51,028,918 | \$ 52,486,532 |
| # Of Active Attorneys | 186,067 | 186,606 | 187,306 |
| Cost Per Active Attorney | \$271 | \$273 | \$280 |
| | | | |
| ESTIMATED APPLICATIONS LIAB. | | | |
| Applications Payout Ratio | 42.36% | 41.09% | 44.78% |
| Estimated Application Amount * | \$21,372,097 | \$20,967,783 | \$23,503,469 |
| # of Active Attorneys | 186,076 | 186,606 | 187,306 |
| Cost per Active Attorney | \$115 | \$112 | \$125 |
| | | | |
| APPLICATION ACTIVITIES IN %: | | | |
| | | | |
| NEW APPLICATIONS - YTD | | | |
| 1 - 2,500 | 2.50% | 2.13% | 2.08% |
| 2,501 - 5,000 | 6.65% | 5.42% | 7.71% |
| 5,001 - 10,000 | 9.18% | 8.11% | 8.92% |
| 10,001 - 25,000 | 20.64% | 16.27% | 18.01% |
| 25,001 - 49,999 | 10.07% | 10.64% | 10.39% |
| 50,000 | 12.31% | 7.31% | 7.55% |
| 50,001 - 100,000 | 38.65% | 50.12% | 45.33% |
| | | | |
| APPLICATIONS PAID - YTD | | | |
| 1 - 2,500 | 7.48% | 7.18% | 7.94% |
| 2,501 - 5,000 | 40.98% | 38.97% | 40.64% |
| 5,001 - 10,000 | 22.22% | 21.43% | 20.11% |
| 10,001 - 25,000 | 9.97% | 8.91% | 9.07% |
| 25,001 - 49,999 | 5.90% | 6.26% | 5.89% |
| 50,000 | 0.00% | 4.61% | 4.58% |
| 50,001 - 100,000 | 13.44% | 12.65% | 11.77% |
| | | | |
| REJ./WDRAWN - YTD | | | |
| 1 - 2,500 | 2.11% | 2.00% | 2.79% |
| 2,501 - 5,000 | 7.22% | 6.42% | 9.33% |
| 5,001 - 10,000 | 7.35% | 5.64% | 6.69% |
| 10,001 - 25,000 | 9.34% | 7.77% | 8.83% |
| 25,001 - 49,999 | 4.97% | 5.78% | 6.16% |
| 50,000 | 8.88% | 17.02% | 16.31% |
| 50,001 - 100,000 | 60.14% | 55.37% | 49.89% |
| | | | |
| APPLICATIONS O/S-CUM. - YTD | | | |
| 1 - 2,500 | 4.26% | 4.05% | 3.68% |
| 2,501 - 5,000 | 18.37% | 16.97% | 15.79% |
| 5,001 - 10,000 | 11.41% | 11.05% | 10.90% |
| 10,001 - 25,000 | 12.64% | 13.11% | 13.97% |
| 25,001 - 49,999 | 8.86% | 9.29% | 9.51% |
| 50,000 | 6.74% | 5.49% | 5.49% |
| 50,001 - 100,000 | 37.72% | 40.05% | 40.66% |
| | | | |
| NET ASSET, END OF PERIOD | \$ 6,903,065 | \$ 7,136,178 | \$ 5,513,056 |

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