



# THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

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## MEMORANDUM

**DATE:** November 2, 2015  
**TO:** Members, Planning and Budget Committee  
Members, Board of Trustees  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** Client Security Fund Report for the Quarter Ended  
September 30, 2015

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended September 30, 2015. These reports include:

- Applications Activity for the quarter ended September 30, 2015
- 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- Analysis of New Applications Paid, Rejected or Withdrawn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 904 new applications in the amount of \$13.2 million were filed in 2015. The number of applications filed is down by 27.9% compared to 1,254 applications filed last year. The application amount decreased by \$3.7 million, or 21.9% compared to \$16.9 million filed as of the same quarter in 2014.

For the third quarter ended September 30, 2015, total applications processed are 877 for approximately \$10.4 million. Total payouts for the reported quarter are \$4.0 million, down by \$2.6 million compared to last year. Total applications pending for processing as of September 30, 2015 are 5,701 in the amount of \$49.7 million, and for the same period in 2014, there were 5,739 pending applications in the amount of \$48.1 million. As of September 30, 2015, number of applications pending for processing is about the same level as in last year, down slightly by 38 or 0.7%.

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 34.4%. Total applications outstanding as of September 30, 2015 are 5,701 for \$49.7 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application

payout as of September 30, 2015 is \$17.1 million and there is a decrease of \$0.8 million or 4.5% compared to \$17.9 million last year.

As of September 30, 2015, cash and investments available for applications reimbursement are approximately \$4.5 million. Estimated application payout for the reported quarter is \$17.1 million, which exceeds the cash and investment available by \$12.6 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  
SEPTEMBER 30, 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	10,581,453	858	5,952,181	366	5,952,109	120	4,187,041	63	3,106,440	150	14,657,395	5,674	46,914,134
<b>New Applications</b>	173	272,479	307	1,174,987	190	1,349,519	101	1,602,452	45	1,574,399	22	1,100,000	66	6,087,617	904	13,161,453
<b>Paid Applications</b>	(130)	(235,011)	(167)	(591,944)	(98)	(645,509)	(49)	(673,671)	(23)	(601,070)	(8)	(323,917)	(12)	(977,287)	(487)	(4,048,409)
<b>Rejected Applications</b>	(13)	(32,829)	(9)	(63,542)	(8)	(140,020)	(10)	(302,586)	(6)	(399,677)	(5)	(332,523)	(10)	(1,198,768)	(61)	(2,469,945)
<b>Withdrawn Applications</b>	(84)	(142,731)	(110)	(427,893)	(61)	(446,190)	(32)	(519,744)	(18)	(621,956)	(10)	(500,000)	(14)	(1,195,807)	(329)	(3,854,321)
<b>Applications Outstanding</b>	<b>1,263</b>	<b>2,339,424</b>	<b>2,821</b>	<b>10,673,061</b>	<b>881</b>	<b>6,069,982</b>	<b>376</b>	<b>6,058,559</b>	<b>118</b>	<b>4,138,736</b>	<b>62</b>	<b>3,050,000</b>	<b>180</b>	<b>17,373,150</b>	<b>5,701</b>	<b>49,702,912</b>
<b>New applications % to total</b>	19.14%	2.07%	33.96%	8.93%	21.02%	10.25%	11.17%	12.18%	4.98%	11.96%	2.43%	8.36%	7.30%	46.25%	100.00%	100.00%
<b>Applications paid % to total</b>	26.69%	5.81%	34.29%	14.62%	20.12%	15.94%	10.06%	16.64%	4.72%	14.85%	1.64%	8.00%	2.46%	24.14%	100.00%	100.00%
<b>Applications rejected or withdrawn % to total</b>	24.87%	2.78%	30.51%	7.77%	17.69%	9.27%	10.77%	13.00%	6.15%	16.15%	3.85%	13.16%	6.15%	37.86%	100.00%	100.00%
<b>Applications outstanding % to total</b>	22.15%	4.71%	49.48%	21.47%	15.45%	12.21%	6.60%	12.19%	2.07%	8.33%	1.09%	6.14%	3.16%	34.95%	100.00%	100.00%

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**APPLICATIONS AGING REPORT**  
**AS OF SEPTEMBER 30, 2015**

<u>Year</u> <u>Application</u> <u>Filed</u>	<u>Gross Applications Prior</u> <u>Year</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>	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
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)	(6)	(46,766)	(12)	(67,116)	647	2,223,081
2011	918	5,458,061			(46)	(576,735)	(17)	(454,648)	(63)	(1,031,383)	855	4,426,678
2012	1,101	8,808,901			(121)	(1,248,540)	(75)	(1,154,606)	(196)	(2,403,146)	905	6,405,755
2013	1,290	13,097,590			(275)	(1,954,397)	(131)	(2,124,441)	(406)	(4,078,838)	884	9,018,752
2014	1,274	15,877,966			(27)	(198,582)	(74)	(1,066,723)	(101)	(1,265,305)	1,173	14,612,661
2015			904	13,161,453	(12)	(49,805)	(85)	(1,431,873)	(97)	(1,481,678)	807	11,679,775
<b>TOTAL</b>	<b>5,674</b>	<b>46,914,134</b>	<b>904</b>	<b>13,161,453</b>	<b>(487)</b>	<b>(4,048,409)</b>	<b>(390)</b>	<b>(6,324,267)</b>	<b>(877)</b>	<b>(10,372,676)</b>	<b>5,701</b>	<b>49,702,912</b>

Applications Outstanding	<b>\$49,702,912</b>
Estimated Application Payout Ratio	<b>34.38%</b>
Estimated Application Payouts	<b>\$17,087,861</b>

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**CUMULATIVE APPLICATIONS AGING REPORT**  
**AS OF SEPTEMBER 30, 2015**

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u> <u>Prior Years</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications</u> <u>Rejected and</u> <u>Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications</u> <u>Outstanding</u>	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
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)	(8)	(91,975)	(14)	(112,325)	1,077	3,559,292
2007-2011	2,009	9,129,678			(52)	(597,085)	(25)	(546,623)	(77)	(1,143,709)	1,932	7,985,969
2007-2012	3,110	17,938,578			(173)	(1,845,625)	(100)	(1,701,229)	(273)	(3,546,854)	2,837	14,391,724
2007-2013	4,400	31,036,168			(448)	(3,800,022)	(231)	(3,825,670)	(679)	(7,625,692)	3,721	23,410,476
2007-2014	5,674	46,914,134			(475)	(3,998,604)	(305)	(4,892,393)	(780)	(8,890,997)	4,894	38,023,137
2007-2015					(487)	(4,048,409)	(390)	(6,324,267)	(877)	(10,372,676)	5,701	49,702,912
			<b>904</b>	<b>13,161,453</b>	<b>(487)</b>	<b>(4,048,409)</b>	<b>(390)</b>	<b>(6,324,267)</b>	<b>(877)</b>	<b>(10,372,676)</b>	<b>5,701</b>	<b>49,702,912</b>

Net Asset in Client Security Fund:

As of 9/30/2015

**\$ 4,512,158**

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO**  
**OCTOBER 2013 THROUGH SEPTEMBER 2015**

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Montly Average Payout Ratio	Amount	Amount
Oct 13	1,025,871	30.18%	2,373,042	3,398,913
Nov 13	460,576	34.55%	872,343	1,332,919
Dec 13	1,137,692	21.34%	4,192,663	5,330,355
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
Total:	<u>15,703,934</u>		Total: <u>29,979,684</u>	<u>45,683,618</u>

24 Month Rolling Average PaidOut Ratio: 34.38%

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

**SEPTEMBER 30, 2015**

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

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