



The State Bar *of California*

# Attorney Regulation & Consumer Resources Office of Professional Competence



**Fee Analysis**

Finance Committee July 21, 2022

## Recap: 2017 Fee Review

- Attorney Regulation & Consumer Resources
  - MCLE Providers → *increases in MCLE Provider fees (SAP +37, MAP \$150)*
  - Limited Liability Practice
  - Law Corporations
- Admissions Programs
  - Foreign Legal Consultants
  - Multijurisdictional Practice
  - Pro Hac Vice
  - Practical Training of Law Students
  - Out-of-State Atty Arbitration Counsel
  - Law School Regulation → *Increases in annual reporting +20%, inspections +25%*
  - Legal Specialization MCLE Providers



# Current 2022 Program Reviews

May



- Admissions

- Foreign Legal Consultants (FLC)
- Multijurisdictional Practice (MJP)
- Pro Hac Vice (PVH)
- Practical Training of Law Students (PTLS)
- Out-of-State Attorney Arbitration Counsel (OSAAC)
- Provisional Law Licensing (PLL)
- Law Office Study (LOS)
- Law School Regulation (LSR)
- Legal Specialization (LS)
- General Bar Exam (GBX)
- First-Year Law Students' Exam (FYLSX)
- Moral Character Determination (MCD)

Today



- Attorney Regulation & Consumer Resources

- Minimum Continuing Legal Education (MCLE)
- Certificates (CT)
- Law Corporations (LC)
- Legal Licensing (LL)
- Limited Liability Partners (LLC)

- Professional Competence

- Lawyer Referral Service (LRS)
- Mandatory Fee Arbitration (MFA)
- MCLE Provider Certification (MCLEPC)



# ARCR/OPC Programs Summary (Deficit)

Future Projected Program Operating Results	Office	Revenue	Cost	Net
MCLE Provider Certification (MCLEPC)	OPC	\$ 308,970	\$ 1,084,464	\$ (775,494)
Minimum Continuing Legal Education (MCLE)	ARCR	\$ 210,250	\$ 736,097	\$ (525,847)
Lawyer Referral Service (LRS)	OPC	\$ 95,968	\$ 353,400	\$ (257,433)
Mandatory Fee Arbitration (MFA)	OPC	\$ 79,393	\$ 310,409	\$ (231,016)
Certificates (CT)	ARCR	\$ 250,000	\$ 354,477	\$ (104,477)
<b>Total</b>				<b>\$ (1,894,267)</b>



# Methodology to Assess Fee Increase

## Revenue

- Forecast based on a 4-year historical applicant trend; validated by ARCR/OPC team
- Forecasted applicant count x current fee = revenue

## Expense

- Program Labor and Benefits cost based on:
  - Allocation of each FTE's time spent on program x fully burdened personnel costs per FTE
- Management (FTE not assigned to a program):
  - Sum of all FTE's not assigned to a program x fully burdened personnel costs per FTE
  - Cost assigned proportionally based on program FTE size
- Indirect Cost:
  - Based on 2022 budget for SF and LA interfund Allocation
- Other External Costs:
  - Based on 2022 Budget and adjusted for one-time items and future run-rate additions
  - Include Temp/Contractors, Build Ops, Services, Supplies, Equip, Other Exp, and Exam Related



### Operating Projection Calculation:

+ Projected Revenue

– (Employee + Indirect + External Costs)

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= Need for Fee Adjustment?

# MCLE Provider Certification (MCLEPC) Operating Projection

	Current Fee	2022 Projection	Revenue
Single Activity Applications	\$ 90	1,383	\$ 124,470
Map Applications	\$ 360	124	\$ 44,460
Map Renewals	\$ 360	389	\$ 140,040
<b>Projected Program Revenue</b>			<b>\$ 308,970</b>

**Projected Program Cost** **\$ 1,084,464**

**Current Projected Program NET:** **\$ (775,494)**

New Fee Amount w Increase				
Single Activity Applications	\$ 324	260%	1,383	\$ 448,092
Map Applications	\$ 1,296	260%	124	\$ 160,056
Map Renewals	\$ 1,296	260%	389	\$ 504,144
<b>Projected Program Revenue w Fee Increase</b>				<b>\$ 1,112,292</b>

**New Program NET:** **\$ 27,828**

OPC Initial Proposal	New Fee	2022 Projection	Revenue
Single Activity Applications	\$ 225 150%	1,383	\$ 311,175
Map Applications	\$ 540 50%	124	\$ 66,690
Map Renewals	\$ 540 50%	389	\$ 210,060
<b>Projected Program Revenue w Fee Increase</b>			<b>\$ 587,925</b>

**New Program NET:** **\$ (496,539)**

**Deficit Change:** **\$ 278,955**



# Minimum Continuing Legal Education (MCLE) Operating Projection

	Current Fee	2022 Projection	Revenue
MCLE Late fee	\$ 75	2,394	\$ 179,550
MCLE Reinstatement	\$ 200	114	\$ 22,700
MCLE Credit Requests	\$ 25	200	\$ 5,000
MCLE E-mods	\$ 75	40	\$ 3,000
<b>Projected Program Revenue</b>			<b>\$ 210,250</b>

**Projected Program Cost** \$ 736,097

**Current Projected Program NET:** \$ (525,847)

New Fee Amount w Increase					
MCLE Late fee	\$ 266	255%	2,394	\$ 637,403	
MCLE Reinstatement	\$ 710	255%	114	\$ 80,585	
MCLE Credit Requests	\$ 89	255%	200	\$ 17,750	
MCLE E-mods	\$ 266	255%	40	\$ 10,650	
<b>Projected Program Revenue w Fee Increase</b>				<b>\$ 746,388</b>	

**New Program NET:** \$ 10,290

ARCRC Initial Proposal	New Fee		2022 Projection	Revenue
MCLE Late fee	\$ 100	33%	2,394	\$ 239,400
MCLE Reinstatement	\$ 300	50%	114	\$ 34,050
MCLE Credit Requests	\$ 100	300%	200	\$ 20,000
MCLE E-mods	\$ 100	33%	40	\$ 4,000
<b>Projected Program Revenue w Fee Increase</b>				<b>\$ 297,450</b>

**New Program NET:** \$ (438,647)

**Deficit Change:** \$ 87,200





# Lawyer Referral Service (LRS) Operating Projection

	Current Fee	2022 Projection	Revenue
LRS Certification Application	\$1K to \$5K+	-	\$ -
LRS Recertifications Count		24	
LRS Recertification Revenue	1% LRS gross		\$ 95,968
LRS Recertification Revenue Cap	\$ 10,000		
Projected Program Revenue			<u>\$ 95,968</u>
Projected Program Cost			<u>\$ 353,400</u>
Current Projected Program NET:			<u><u>\$ (257,433)</u></u>

New Fee Amount w Increase				
LRS Certification Application	\$1K to \$5K+	-	\$ -	
LRS Recertifications Count		24		
LRS Recertification Revenue	4% LRS gross	300%	\$ 383,872	\$ 383,872
LRS Recertification Revenue Cap	\$ 10,000			
Projected Program Revenue w Fee Increase			<u>\$ 383,872</u>	
New Program NET:			<u><u>\$ 30,472</u></u>	

OPC Initial Proposal	New Fee	2022 Projection	Revenue
LRS Certification Application	\$1K to \$5K+	-	\$ -
LRS Recertifications Count		24	
LRS Recertification Revenue	2% LRS gross	100%	\$ 191,935
LRS Recertification Revenue Cap	\$ 10,000		
Projected Program Revenue w Fee Increase			<u>\$ 191,935</u>
New Program NET:			<u><u>\$ (161,465)</u></u>
Deficit Change:			<u><u>\$ 95,968</u></u>



# Mandatory Fee Arbitration (MFA) Operating Projection

	Current Fee	2022 Projection	Revenue
Fee Arbitration Request Count		61	
Arbitration Filing Fees	5%	\$ 79,393	\$ 79,393
Filing Minimum	\$ 50		
Filing Cap	\$ 5,000		
Projected Program Revenue			<u>\$ 79,393</u>
Projected Program Cost			<u>\$ 310,409</u>
Current Projected Program NET:			<u><u>\$ (231,016)</u></u>

New Fee Amount w Increase						
Fee Arbitration Request Count				54		
Arbitration Filing Fees	23%	360%	\$	311,257	\$	311,257
Filing Minimum	\$ 50	0%				
Filing Cap	\$ 24,000	380%				
Projected Program Revenue w Fee Increase					<u>\$ 311,257</u>	
New Program NET:					<u><u>\$ 847</u></u>	

OPC Initial Proposal		New Fee	2022 Projection	Revenue
Fee Arbitration Request Count			61	
Arbitration Filing Fees	7% 40%	\$	69,430	\$ 69,430
Filing Minimum	\$ 100 100%			
Filing Cap <\$250K	\$ 7,500 50%	\$	15,000	\$ 15,000
Filing Cap >\$250K	\$ 15,000 200%	\$	45,000	\$ 45,000
Projected Program Revenue w Fee Increase				<u>\$ 129,430</u>
New Program NET:				<u><u>\$ (180,979)</u></u>
Deficit Change:				<u><u>\$ 50,037</u></u>



# Certificates (CT) Operating Projection

	Current Fee	2022 Projection	Revenue
Certificates	\$ 25	10,000	\$ 250,000
Projected Program Revenue			<u>\$ 250,000</u>
Projected Program Cost			<u>\$ 354,477</u>
Current Projected Program NET:			<u><u>\$ (104,477)</u></u>

New Fee Amount w Increase				
Certificates	\$ 36	45%	10,000	\$ 362,500
Projected Program Revenue w Fee Increase				<u>\$ 362,500</u>
New Program NET:				<u><u>\$ 8,023</u></u>

ARCRC Initial Proposal	New Fee	2022 Projection	Revenue
Certificates	\$ 30 20%	10,000	\$ 300,000
Projected Program Revenue w Fee Increase			<u>\$ 300,000</u>
New Program NET:			<u><u>\$ (54,477)</u></u>
Deficit Change:			<u><u>\$ 50,000</u></u>



# Summary of Potential Fee Increases

Program	Deficit	Fee Category	Current Fee	Break Even Fee	% Change of Current Fee	ARCR/OPC Initial Proposal	% Change of Current Fee
MCLE Provider Certification (MCLEPC)	(\$775,494)	Single Activity Applications	\$90	\$324	260.0%	\$225	150.0%
		Map Applications	\$360	\$1,296	260.0%	\$540	50.0%
		Map Renewals	\$360	\$1,296	260.0%	\$540	50.0%
Minimum Continuing Legal Education (MCLE)	(\$525,847)	MCLE Late fee	\$75	\$266	255.0%	\$100	33.3%
		MCLE Reinstatement	\$200	\$710	255.0%	\$300	50.0%
		MCLE Credit Requests	\$25	\$89	255.0%	\$100	300.0%
		MCLE E-mods	\$75	\$266	255.0%	\$100	33.3%
Lawyer Referral Service (LRS)	(\$257,433)	LRS Recertification Revenue	1%	4%	300.0%	2%	100.0%
Mandatory Fee Arbitration (MFA)	(\$231,016)	Arbitration Filing Fees	5%	23%	360.0%	7%	40.0%
		Filing Minimum	\$50	\$50	0.0%	\$100	100.0%
		Filing Cap <\$250K	\$5,000	\$24,000	380.0%	\$7,500	50.0%
		Filing Cap >\$250K	\$5,000	\$24,000	380.0%	\$15,000	200.0%
Certificates (CT)	(\$104,477)	Certificates	\$25	\$36	45.0%	\$30	20.0%
		Add'l w/notary	\$15	no change	no change	no change	no change
		Add'l w/UPS	\$30	no change	no change	no change	no change

red = below break-even estimate

green = above break-even estimate



# Impact of Fee Increases to Bridge Deficit

Programs	Future Projected Program Operating Results			
	Office	Revenue	Cost	Net
MCLE Provider Certification (MCLEPC)	OPC	\$ 308,970	\$ 1,084,464	\$ (775,494)
Minimum Continuing Legal Education (MCLE)	ARCR	\$ 210,250	\$ 736,097	\$ (525,847)
Lawyer Referral Service (LRS)	OPC	\$ 95,968	\$ 353,400	\$ (257,433)
Mandatory Fee Arbitration (MFA)	OPC	\$ 79,393	\$ 310,409	\$ (231,016)
Certificates (CT)	ARCR	\$ 250,000	\$ 354,477	\$ (104,477)
Total				\$ (1,894,267)

Fee Increase to Breakeven		ARCR/OPC Initial Proposal	
Revenue	Net	Revenue	Net
\$ 1,112,292	\$ 27,828	\$ 587,925	\$ (496,539)
\$ 746,388	\$ 10,290	\$ 297,450	\$ (438,647)
\$ 383,872	\$ 30,472	\$ 191,935	\$ (161,465)
\$ 311,257	\$ 847	\$ 129,430	\$ (180,979)
\$ 362,500	\$ 8,023	\$ 300,000	\$ (54,477)
	\$ 77,461		\$ (1,332,107)

Total deficit decrease with ARCR/OPC initial proposed fee increases	\$ 562,160
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# Possible Solutions

## 1. Fee Increases

- Differences between charging full cost of services provided vs. ARCR/OPC recommendations
- Should some programs subsidize others?

## 2. Cut costs

- Need to determine where and how





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# Questions

Finance Committee, July 21, 2022