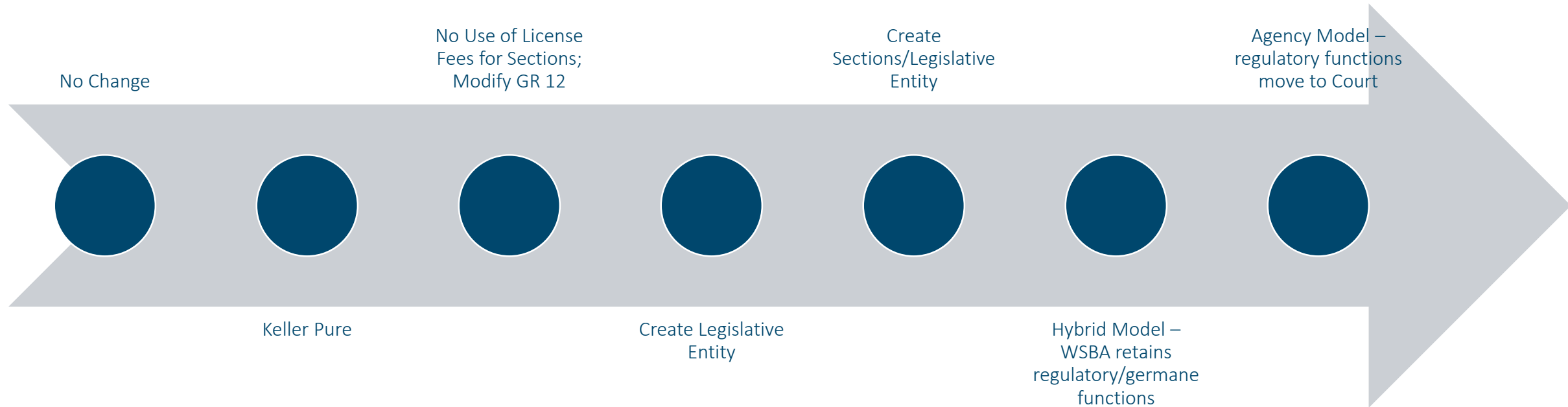




ETHOS STRUCTURE SCENARIOS

SCENARIOS TO EXAMINE FROM LEAST AMOUNT OF CHANGE TO MOST



CONTINUE “AS IS” – UTILIZE KELLER DEDUCTION FOR LEGISLATIVE ACTIVITIES

Major Assumptions Under This Model

- Continue as an Integrated Bar
- Continue Legislative Activities Within the Parameters of GR12/Keller
- Utilize the Keller Deduction to Refund Potentially Non-Germane Activities
- Fiscal Impact:
 - Total Keller Deduction for 2022 licensing season was \$390,659.00 (\$9.02 per license fee paying member) which includes legislative activity.
 - Over the past 10 years an average of 15% of eligible members claimed the Keller Deduction.

KELLER PURE – STOP POTENTIALLY “NON-GERMANE” LEGISLATIVE ACTIVITIES

Major Assumptions Under This Model

- Scale down legislative activities to only those activities that are clearly “Germane” (relating to functioning of the court system or the law governing lawyers’ activities). Stop commenting on most substantive legislation.
- Continue Legislative Activities Within the Parameters of GR12/Keller
- Utilize Keller Deduction to Refund Legislative Activities
- Fiscal Impact:
 - Scale Down Legislative Affairs Program – Indirect and Direct Expense Savings (\$100k)
 - Keller Deduction costs would be reduced accordingly.

ENSURE SECTIONS ARE SELF-FUNDED – PROPOSE AMENDMENT TO GR12

Major Assumptions Under This Model

- Segregate Section Revenue and Expenses and Ensure No Use of License Fees for Section Activities.
- Review the Reimbursement Sections Pay to WSBA and Ensure All Costs are Included (to shore up the argument that sections don't utilize mandatory license fees) and are being Allocated Reasonably and According to Applicable Accounting Standards
- Propose an Amendment to GR12 to Recognize Sections as Voluntary Groups Within WSBA Who Do Not Utilize Mandatory Fees
- Fiscal Impact:
 - Possible Reduction to Keller Deduction if Section Legislative Activities are Exempted
 - Likely Increase to Section Reimbursement Amounts Because the Legislative Affairs Costs are not Included in the Per Member Charge Calculation.
 - This could add another \$15 - \$17 to the per member charge

CREATE WA STATE BAR LEGISLATIVE 501C FOR LEGISLATIVE ACTIVITIES (FOUNDATION MODEL)

Major Assumptions Under This Model

- A Voluntary 501C Organization Focused on Legislative Activity Would be Created (i.e. WA State Bar Legislative Institute) – In the Same Model as the Foundation
- The Organization Would be Funded Through Voluntary Dues but Supported by WSBA Staff Reimbursed by the Voluntary Organization
- Fiscal Impact:
 - Model Must be Fiscally Independent of Mandatory Fees
 - If Legislative Affairs Continued to Support the Organization it would need to realize somewhere around \$330k to operate independently (assuming most of the costs of the Legislative Affairs Cost Center and some Administrative Support is allocated to the organization)
 - May need to look at options to reduce cost of legislative programming to make this option feasible.

CREATE WA STATE BAR SECTIONS 501C (FOUNDATION MODEL)

Major Assumptions Under This Model

- Sections Move Into a Voluntary 501C Organization (i.e. WA State Bar Sections) – modeled after the Foundation
- The Organization Would be Funded Through Voluntary Dues but Supported by WSBA Staff Reimbursed by the Voluntary Organization
- Fiscal Impact:
 - Sections would be supported by WSBA staff and WSBA would be reimbursed (much like the PMC is done now but through a contractual agreement) – Reimbursements would need to be examined carefully to ensure all costs are passed along in a reasonable manner in accordance with cost allocation accounting standards. This could potentially increase the PMC unless some services are scaled down.
 - Sections could partner with WSBA CLE in much the same way they do now but the arrangement would not be governed by WSBA fiscal policy but, instead, through a contractual agreement (i.e. to determine revenue splits, etc...). This would not be a “reimbursement for staff support” but rather a contractual agreement to partner in the development of CLE programming for mutual benefit of each organization.

HYBRID MODEL – CALIFORNIA CA BAR SPLIT IN 2018-2019

Major Assumptions Under This Model

- State Bar Administers all Regulatory Functions but also Continues to Administer some Member Benefits/Services Including:
 - Member Wellness Program
 - Ethics Line
 - Some Version of Practice Management
 - Fee Arbitration (this is done by CA and is authorized but not done by WSBA)
 - Mission Oriented Free CLEs (ethics, member wellness, etc...)
- Sections and CLE Bifurcate from State Bar and Form Their Own Voluntary Organization
- State Bar Maintains some Access to Justice work along with Diversity, Equity and Inclusion Programs (CA ATJ Commission is a separate entity).
- State Bar engages in scaled down legislative activity.

HYBRID MODEL - CALIFORNIA

Fee Comparison from Integrated to Hybrid

- Active License Fee History for CA:
 - 2018 - \$430.00 (basic fee plus add-ons)
 - 2019 - \$430.00 (basic fee plus add-ons)
 - 2020 - \$515.00 (basic fee plus add-ons)
 - 2021 - \$544.00 (basic fee plus add-ons)
 - 2022 - \$515.00 (basic fee plus add-ons)
- California Lawyers Association Fees:
 - 2022 Fee to Join the Association - \$110.00
 - Additionally, each section charges \$40 to join
 - “All Access” plan for \$300.00

HYBRID MODEL - CALIFORNIA

Fiscal Impact

- Sections:
 - Loss of two FTE (paid by the sections so no benefit to the General Fund)
 - Sections pay approximately \$70k in overhead costs that would transfer back to the General Fund
 - .58 FTE would revert to General Fund (partial allocation of staff to sections for admin support and management – approximately \$53.5k salary/benefits)
 - Legislative Affairs would scale down which would save approximately \$120k for General Fund
 - Total Net Savings/**Loss** to General Fund = **(\$3.5k)**

HYBRID MODEL - CALIFORNIA

Fiscal Impact

- CLE:
 - 18 staff allocated into the CLE Fund which is equivalent to 9.6 FTE in the CLE Fund (\$944k in salaries/benefits paid by the CLE Fund)
 - The CLE Fund pays approximately \$283k in overhead costs that would transfer back to the General Fund
 - Equivalent of 2.3 FTE would move from CLE Fund to the General Fund (\$282k in salaries/benefits)
 - 1.08 FTE would be saved in the General Fund (partial allocation of staff to Lbox, NME, MiniCLE – approximately \$93k savings in salary/ben)
 - Net loss of employees = 10
 - Total Net Savings/**Loss** to General Fund = **(\$472k)**

HYBRID MODEL - CALIFORNIA

Additional Considerations

- What Additional Programs/Services Continue or Go?
 - Member Wellness Program – stayed in CA Model
 - Ethics Line/Professional Responsibility – stayed in CA model
 - Practice Management – Scaled down in CA Model
 - Free CLEs – CA offers free CLEs with mission oriented focus (i.e. ethics, wellness, etc...)
 - Legal Research Tool – Discontinued at State Bar of CA and Moved to CA Lawyers Association
 - Committees and Boards – Continue all of some?
- As decisions are made as to which programs and services are continued or discontinued consider reductions to service departments and overhead (i.e. Finance, HR, Communications, IT, OGC).

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Major Assumptions Under This Model

- Regulatory Functions and Associated Infrastructure/Support Bifurcate from Bar and Placed Under the Court
- The WSBA Would Become a 501C Voluntary Organization

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Staffing Impact – “Regulatory” Staff Moving Under Court

- Regulatory Staff Moved under Court = 62
 - Regulatory Services Staff – 21
 - ODC Staff – 37
 - OGC Regulatory - 4
- Support Staff Moved under Court = 33
 - OED – 3
 - Service Center – 5
 - Communications – 5
 - IT – 13
 - Finance – 5
 - HR – 2
 - OGC -1
- Diversity, Equity, Inclusion and ATJ Staff Moved under Court = 5

TOTAL STAFF MOVED UNDER COURT= 101

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Staff Not Moving to the Court

- Advancement Department = 22
 - CLE
 - Sections Staff
 - WYLC, STAR, Mentorship Support Staff
 - Member Wellness Program
 - Professional Responsibility Program
 - Practice Management Assistance
- Support Staff Across Various Departments = 16
 - OED/Service Center/COMM/Finance/HR/OGC

TOTAL STAFF LOSS = 38

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Programs Not Moving to the Court

- CLE (including free Legal Lunchbox, Ethics) – Note: Independent Fund so no gain to the General Fund
- Sections – Note: Independent Fund so no gain to the General Fund
- Member Wellness Program
- Professional Responsibility Program
- Practice Management
- WSBA Private Insurance Network
- Fastcase Research Tool
- Deskbooks
- Bar News
- STAR, WYLC, CLE Committee, Pro Bono Public Service Committee, Moderate Means, Powerful Communities

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Fiscal Overview - Expenses

- Cost of Regulatory Functions (RSD/ODC/OGC) = \$8.25MIL
- Cost of Supporting Depts (IT/OED/COMM/HR/FIN/Service Center/OGC) = \$4.55MIL
- Diversity, Equity and Inclusion and ATJ = \$500K
- Governing Board/Committee Support Costs = \$400k
- Overhead = \$2.8 MIL
- Direct Costs for Supporting Cost Centers = \$500k

TOTAL ESTIMATED COSTS = \$16.5MIL

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Fiscal Overview – Offsetting Revenue/Net Operating Costs

- Revenue from MCLE/Admissions/Licensing = \$2.89MIL
- Revenue from LPO/LLLT/CLERK = \$450K
- Revenue from ODC = \$106K

TOTAL REVENUE = \$3.45MIL

NET OPERATING COSTS || \$16.5MIL - \$3.45MIL = \$13.05MIL

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Projected Active Attorney License Fee

- Inactive Attorneys = 5937 - \$200 license fee
- Pro Bono = 100 - \$200 license fee & Judicial = 650 - \$50 license fee
- Active Attorneys = 33435
- Offsetting Inactive/ProBono/Judicial License Fee Revenue = \$1,239,900.00
- Total Net Operating Costs – Offsetting Fee Revenue = \$11,810,100.00
- Active License Fee = $\$11,810,100.00 / 33435 = \underline{\underline{\$353.00}}$

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Observations

- Most supporting activities would be hard to eliminate because they are needed to operate the agency
- Establishing infrastructure for two separate organizations will cost more because you lose the economies of scale of sharing infrastructure
- The loss of CLE and Sections programs and related staff does not benefit the General Fund (they were supported through separate funds – CLE and Sections Funds)
- An agency refocused purely on regulatory work would likely want to invest in more staff to do that work more efficiently

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Voluntary Organization - WSBA

- All non-regulatory functions would stay with WSBA/voluntary organization.
- Assuming an enrollment rate of 45% of active membership expect approximately 15,000 members.
- This corresponds to the approximate amount of section members.

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Cost Estimates for Voluntary Organization Providing Current WSBA Services

- CLE Operations = \$1.75MIL (includes regular CLEs/NME/MiniCLEs)
 - Sections Support = \$290k
 - Member Wellness/Professional Responsibility/Practice Management: \$650k
 - Fastcase - \$20k
 - WYLC/STAR/Public Service = \$400k
 - Member Magazine Similar to Bar News = \$200k
 - Overhead/Administrative Costs (Rent/ED/Finance/HR/IT/Governing Board) = \$1.8
- Total Member Benefits/Services Costs: \$5.29MIL

Note: This is very conservative – for point of reference the King County Bar Assoc. annual budget is \$4.6MIL with much fewer members than projected here (5600members).

REGULATORY AGENCY MODEL/VOLUNTARY ASSOCIATION

Revenue Estimates for Voluntary Organization Providing Current WSBA Services

- Model Where Dues Covers All for Members and sell CLE to Non-Members:
 - Assume CLE Revenue of Approximately \$600,000.00 (assume 60% of existing market)
 - Section Dues (assuming 1.5 join rate and \$40 section dues) \$900,000.00 (assume sections keep)
 - \$5.29 operating expenses minus \$600k Revenue = \$4.69MIL net operating expenses
 - Assuming 15k members would need to charge at least \$313.00 in member dues to break even.

Estimated Minimum Member Dues = \$313.00 + \$40 section due = 353.00

Regulatory Estimated License Fee = \$353.00 and Voluntary Dues Conservatively \$313.00 + 1 section \$40.00

Total = \$706.00

THANK YOU!

QUESTIONS?