

# WASHINGTON STATE BAR ASSOCIATION

**TO:** WSBA Board of Governors  
**FROM:** Daniel D. Clark, WSBA Treasurer & 4<sup>th</sup> District Governor  
**DATE:** April 20, 2020  
**RE:** April 2020 B & A Meeting Member Economic Relief Discussion

**ACTION/DISCUSSION :** The following is an idea for discussion by the B & A Committee for a potential action regarding a proposal to the Board of Governors and Washington State Supreme Court regarding a one (1) time reduction in the Client Protection Fund fee meant to offer economic relief to COVID-19 impacted WSBA members.

In November 2019, the Board of Governors voted in favor of lowering the Client Protection Fund assessment from \$30.00 to \$25.00. The vote was subject to ratification by the Washington State Supreme Court and the Court did do so shortly thereafter, and the annual assessment has been reduced starting in FY 2021 from \$30.00 to \$25.00. The Board also voted to maintain the license fees for Attorneys and LPO members at their current FY 2020 license fee rates, and to raise the LLLT license from \$200 annually to \$229.00 annually starting in FY 2021.

Given, the devastating financial impact on the State of Washington and United States of COVID-19, and the very real impact agenda there will be a request for the BOG to consider adopting a recommendation to the Supreme Court to lower the FY 2021 annual client protection assessment for an additional one (1) time relief which would be meant to provide WSBA membership that is subject to paying into the fund (Attorneys and LLLT members), some economic relief. The amount that the B & A Committee were to recommend to the BOG is open to debate, but this appears to be the most reasonable method of providing relief for FY 2021 in my opinion and the fund that seems to have the most financial “cushion” to be able to absorb a one (1) time reduction in annual assessment fees. **Below, I detail that we could immediately request a \$15.00 reduction for FY 2021 in addition to the \$5.00 already approved reduction, and provide membership with a one (1) time \$20.00 dollar reduction for annual licensing, while at the same time still maintaining a robust fund balance for this important fund.**

## Client Protect Fund Assessment Information:

The following is true and correct fund balances for the client protection fund over the last few years:

FY	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Aug 2019
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<b>2012</b>							
<b>\$791,399</b>	<b>\$1,213,602</b>	<b>\$1,746,010</b>	<b>\$2,144,289</b>	<b>\$2,646,222</b>	<b>\$3,242,299</b>	<b>\$3,582,278</b>	<b>\$4,039,921.19</b>

That was information from November 2019. Currently the fund as of the end of March 2020 had the following fund balance after six months of revenue and payouts.

<b>FY 2020 (through March 2020)</b>	<b>\$4,765,569.00</b>
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This large growth since August 2019 is further illustrated by the following data from the March 2020 WSBA Financial Summary:

<b>Summary of Fund Balance</b>	<b>Fund Balance Sept. 30 2019</b>	<b>2020 Budgeted Fund Balance</b>	<b>Fund Balance through March 30, 2020</b>
<b>Client Protection Fund</b>	<b>3,816,143</b>	<b>4,190,457</b>	<b>4,765,569`</b>

As we can see, the fund balance for the Client Protection Fund has grown six months into FY 2020's budget almost

\$949,426.00 in six (6) months. This is under the \$30 dollar per member assessment rate that was applicable for FY 2020 and previous.

As The previous chart illustrates the Client Protection fund has continued to grow annually about \$450k per year annually. The current fund has went from a balance of \$184,640 in FY 2009 to over 4 million as of August 2019, which is the last available information on the fund. Over a period of 11 years, the fund has grown approximately \$3.8 million dollars in size.

For FY 2019, through August, the Client protection fund had generated the following statistics:

<b>Actual Revenue</b>	<b>Budgeted Revenue</b>	<b>Actual Indirect Expenses</b>	<b>Budgeted Indirect Expenses</b>	<b>Actual Direct Expenses</b>	<b>Budgeted Direct Expenses</b>	<b>Actual Total Expenses</b>	<b>Budgeted Total Expenses</b>	<b>Actual Net Result</b>	<b>Budgeted Net Result</b>
<b>\$1,105,364</b>	<b>\$992,500</b>	<b>\$136,792</b>	<b>\$164,210</b>	<b>\$157,639</b>	<b>\$504,000</b>	<b>\$293,431</b>	<b>\$668,210</b>	<b>\$811,933</b>	<b>\$324,290</b>

Taking the actual revenue of the client assessment fund above, and dividing the current client assessment fund annual rate of \$30 dollars by \$1,105,364 results in approximately 36,846 members that are currently paying the \$30 dollar client assessment fund. Taking that number and multiplying it by the proposed reduced fee would result in the following reduction in revenue to WSBA for the Client Protect Fund:

<b>Members</b>	<b>Fee rate</b>	<b>Total Proposed Revenue</b>
<b>36,846</b>	<b>\$25.00</b>	<b>\$912,150</b>

It should be noted that such an estimated figure is only taking information received from 11 out of 12 months for FY 2019, which was the last available financial information available from WSBA. It should be noted though that even with the 11 month revenue, and the proposed reduced rate of \$25 dollars, the client protection fund would still have made a net result for FY 2019 of \$618,719 which can be illustrated below:

<b>Revenue If \$25.000 assessment fee had been implemented for FY 2019</b>	<b>FY 2019 Total Actual Expenses</b>	<b>Actual Net Result</b>
<b>\$912,150</b>	<b>\$293,431</b>	<b>\$618,719</b>

It was these figures that the BOG and Supreme Court approved the recommendation to lower the annual fee from \$30.00 to \$25.00.

#### **Proposal:**

**If we looked to reduce a one-time reduction from \$25.00 to 10.00 annually for FY 21, we would be looking at the following approximate revenue:**

<b>Revenue if 36,846 members paid \$10.00 one time for FY 2021 (net result from FY 2020 a 20 dollar reduction)</b>	<b>FY 2019 Total Actual Expenses</b>	<b>Actual Net Result</b>
<b>\$368,460</b>	<b>\$293,431</b>	<b>\$75,029</b>

**So as we can see, if we were to propose a one (1) time \$15 dollar additional reduction, the net result for FY 2021 would be that members would be paying \$20 dollars less in FY 2021 than FY 20, and the Client Protection Fund should still break even, or even a slight net increase based on FY 2019 actual revenue. Given that this fund has a very high robust fund balance, I would believe that this proposal is one that the Court hopefully would find**

reasonable and pass, and seems like a good thing to do to try to provide some economic relief to our members who are going to be impacted from COVID 19, with decreased clients that have the ability to pay legal bills. I think given the circumstances, this makes sense for the B & A Committee to look to explore.

Taking all of the above information into consideration, it is the unanimous opinion of the Budget and Audit Committee, and myself as WSBA Treasurer to make the following recommendation to the Board of Governors that a majority vote approve and recommend to the Supreme Court potential adoption of the following:

- **That the FY 2021 Client Protection Fund Annual Assessment be reduced from \$25.00 per member to \$10.00 per member. (reflecting a one-time \$15.00 to attempt to provide some financial relief to COVID-19 impacted membership).**

Respectfully,

Daniel D. Clark  
WSBA Treasurer  
District 4 Governor

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