

Additional Cost Calculations:

Pursuant to Administrative Order No. 2011-17, “general administrative expenses include, but are not limited to, the following types of expenses incurred or payable by the State Bar of Arizona: administrative time expended by staff bar counsel, paralegals, legal assistants, secretaries, typists, file clerks and messengers; postage charges, telephone costs, normal office supplies and other expenses normally attributed to office overhead.” Investigator time was not considered as part of the original calculation of the administrative fees.

Included in the information paper was a chart showing the hourly rate for bar counsel and legal secretaries that included compensation, benefits and office overhead.¹ If the hourly rate included the investigators and the other items set out above, using compensation, benefits and office overhead the hourly rate would be \$281.55.

For comparison purposes, I have reproduced the hourly rate chart found in the information paper and inserted the amounts for each type of cases assuming the fully loaded cost is attributed as an hourly rate. What is shown is the range between using bar counsel/secretary time versus the fully loaded cost as defined as “general administrative expenses” set forth above. Based on the current administrative fee set for each type of case, the percentages shown in the “Total Cost” column represent the percentage of the actual cost attributed to that type of case.

Type of Case	Hours Charged	Total Cost	Administrative Fee
Sanction imposed by ADPCC	10.9 @ \$124.75	\$1,359.78 (44%)	\$600.00
	10.9 @ \$281.55	\$3,068.89 (20%)	
Consent Agreement	35.3 @ \$124.75	\$4,403.68 (27%)	\$1,200.00
	35.3 @ \$281.55	\$9,938.71 (12%)	
Default Case	24.8 @ \$124.75	\$3,093.80 (65%)	\$2,000.00
	24.8 @ \$281.55	\$6,982.44 (29%)	
Contested Hearing No Appeal	68.5 @ \$124.75	\$8,545.38 (47%)	\$4,000.00
	68.5 @ \$281.55	\$19,286.17 (21%)	
Contested Hearing through Appeal	98.1 @ \$124.75	\$12,237.98 (49%)	\$6,000.00
	98.1 @ \$281.55	\$27,620.05 (22%)	

¹ Overhead generally includes rent, depreciation, delivery services, reproduction, utilities, supplies and percentage of costs attributed to departments providing support functions to Lawyer Regulation.

In addition to this information, Scott Rhodes suggested that we look at the number of cases that went through probable cause review or further and determine what percentage that represented of the overall number of cases received by the State Bar. The best analysis was to look at the number of cases that received a full investigation and the percentage of those cases that resulted in probable cause review and beyond. By using this figure I could isolate the portion of the budget that represents only the division that would process the cases that went through a full investigation and beyond.

The budget for personnel costs and overhead, limited to the litigation lawyers, paralegals, investigators and support staff, is \$3,197,624. This amount does not include the Records Department or the Intake staff.² In 2010 there were 825 cases that received a full investigation by litigation. There were also 13 reinstatement cases in 2010 that required a full hearing pursuant to Rule 65, Ariz. R. Sup. Ct.³

Of the 838 (825 + 13) cases there were 217 cases that resulted in one of the following: diversion, informal reprimand, probation, restitution, censure, suspension, interim suspension, disbarment or reinstatement. That represents 26% of the cases that received a full investigation in 2010. 26% of the \$3,197,624 allocated to staff and resources to handle these 217 cases is \$831,382. Annually the average amount assessed to respondent lawyers is \$176,000 which means that only 21% of the amount budgeted for these cases is assessed against respondent lawyers. The annual average collected is \$125,000 or 15% of the budget allocated for those cases.

Based on this calculation we find that 21% of the amount budgeted for litigation cases are assessed back to the respondent lawyers. In the hourly chart there is some correlation as the \$281.55 hourly rate represents about 20% – 29% (except for a consent case which is much lower) of the “actual costs” thereby demonstrating some consistency between these two methods of calculation.

² The Intake Division and the Records Department include an additional 12 employees (5 lawyers, 3 administrative and 4 support staff.

³ 142 cases went to probable cause review and received an order. 62 cases received a formal sanction. 13 cases had a hearing to determine whether reinstatement was appropriate.

Average Amount of Trust Account Examiner costs:

In 2010 there were 8 formal cases that included trust account examiner costs. The average cost for those 8 cases was \$2,345.16. However, one case was an extreme outlier in that it required 180 hours of time at a cost of \$13,480.⁴ If that case is removed the average goes down to \$754.46.

⁴ The complexity of the investigation of this case warranted a much more in-depth review than what is typically required for an average trust account examination. Approximately 180 hours were spent compiling and reconstructing voluminous bank records, law firm records, and source documents for hundreds of clients and hundreds of transactions spanning a period of four years. The results of that investigation demonstrated misappropriation of funds in the approximate minimum amount of \$245,000. The lawyer consented to disbarment.