Dues Issues Update
Representative Assembly
October 8, 2015

The State Bar of Michigan
How Dues Are Set

Michigan Supreme Court sets dues pursuant to court rule, administrative order.

Representative Assembly has exclusive authority on behalf of the State Bar of Michigan to recommend a dues increase to the Michigan Supreme Court.
Special Issues committee identified for further review

- Graduated dues scale for newer lawyers
- Lower or no discipline fee for inactive members
- Lower or no discipline fee for retired members
- Requirements to return to active status
2015-16 State Bar of Michigan
Active Member Dues
(Highest Dues Level for Active Member)

Total Dues $285
## 2015-16 State Bar of Michigan Annual Dues

<table>
<thead>
<tr>
<th>Category</th>
<th>Active</th>
<th>Active 50 yrs service</th>
<th>Inactive</th>
<th>Inactive 50 yrs service</th>
<th>Emeritus</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bar</td>
<td>180.00</td>
<td>0.00</td>
<td>90.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Client Prot Fund</td>
<td>15.00</td>
<td>15.00</td>
<td>7.50</td>
<td>7.50</td>
<td>0.00</td>
</tr>
<tr>
<td>Atty Discipline</td>
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<td>90.00</td>
<td>90.00</td>
<td>90.00</td>
<td>0.00</td>
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<tr>
<td>Total Dues</td>
<td>$285.00</td>
<td>$105.00</td>
<td>$187.50</td>
<td>$97.50</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**Active** Member - privilege granted to practice in Michigan, receive full benefits of membership

**Inactive Member** - cannot practice law, but receives all other member benefits. Must be recertified by the BLE after 3 consecutive years of inactive status to regain active status

**Emeritus Member** - 30 years membership or 70 years of age - cannot practice law, but receives all other member benefits

**Active Duty Military** - active dues are waived for up to 4 years

No other dues discounts or waiver (hardship, new attorney, judicial, etc.)
SBM Dues History

Top Dues Level – Active Member
(Since 1970)
SBM Active Dues Comparison to Mandatory Bars

Top Active Dues Level -- all required fees other than mandatory continuing legal education

79% of the mandatory bars have higher required dues and fees than the SBM

The dues of the SBM are 26% lower than average
SBM Active Dues Comparison to All States

All Required Regulatory Fees
except mandatory continuing legal education

67% of the U.S. jurisdictions have higher required dues and fees than the SBM

The dues of the SBM are 19% lower than average

SBM $285

All States – Total Req. Regulatory Fees other than mand. contin. legal education
79% of the mandatory state bars have an “inactive member” dues

Of the mandatory bars with inactive membership fees, 69% of the mandatory bars have lower required inactive dues and fees than the SBM.

The inactive dues of the SBM are 32% higher than average

SBM Inactive Dues Comparison to All States
Dues Theory – who should receive dues discounts or waivers for funding the State Bar, Attorney Discipline System, and Client Protection Fund?

Concepts for consideration:

- Should all members receiving same benefits pay same dues?
- Should members at beginning or end of their careers pay less?
- Should members with hardships, disabilities, or financial distress pay less?
- Should members in the military, education or in government pay less?
- What is the administrative cost of administering exceptions compared to their value?
Issue: Reduced dues for new lawyers

Rationale
New lawyers generally have less income and carry more debt

Pros
• Help ease transition from student to practicing member.
• 22 other mandatory bars (67%) have lower or free dues for new or newer lawyers.

Cons
• Based on faulty generalization about lawyer income. Some new lawyers are better off financially than many older members.
• Potential negative fiscal impact, decreasing SBM ability to provide services of particular value to new members.
Issue: Lower or Waived Disciplinary Fee for Inactive Members

Rationale

Members who are not practicing do not burden the discipline system and should not be required to subsidize it.

73% of mandatory bars have inactive status, and Michigan’s inactive dues are among the highest.

Who’s Affected

• 1,227 Inactive members

Fiscal Impact

• 10% reduction reduces ADS revenue by $11K annually.
• 25% reduction reduces ADS revenue by $28K annually
• Full waiver reduces ADS revenue by $110K annually, or about 3% of ADS revenue.
Issue: Lower or Waived Dues and Fees for “Retired” Members

Rationale
A total of 42% of mandatory bars have lower or waived fees for retired members.

Who’s Affected
- 207 “retired” Inactive and 2,211 “retired” Active members.

Impacts/Issues
- “Retired” is self reported with no consistent definition.
- “Retired members, if Active and still practicing law, could still be burden on discipline system.
- SBM already has discount for members with 50 or more years of service, Emeritus status and Inactive status.
- ADS revenue would be reduced by up to $218K annually, or about 6% of ADS revenue. There could also be some impact on SBM revenue.
Issue: Requirement to Return to Active Status

Current Rule
Inactive members must be recertified, and may be required to retake the bar exam, if their inactive status exceeds 3 years.

Rationale for a Change
• 3 years is an arbitrary time limit.
• No empirical evidence that skills/knowledge deteriorate over any particular period of professional inactivity.
• No requirement that Active members who pay active status dues are keeping up their skills and knowledge.
• Many other jurisdictions less restrictive.

Options to Consider
• MCLE alternative for inactive extension or recertification.
• Different time period.
Summary and Next Steps

- SBM Active dues well below average.
- With no mandatory CLE, total cost to practice in Michigan among lowest in the U.S.
- Further analysis of active/inactive conditions and dues needed.
- No clarity about “retired” Active lawyers is a problem.
- New member dues reduction could have significant fiscal impact.
- Attorney Discipline System and BLE must weigh in.
- SBM Strategic Planning C’mtee & 21st Century Practice Task Force looking at some of the same issues.
- Further work needed by RA committees to develop recommendations.