

**Consideration of
Inactive Member Dues
Special Issues Committee
Representative Assembly**

April 30, 2016

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.

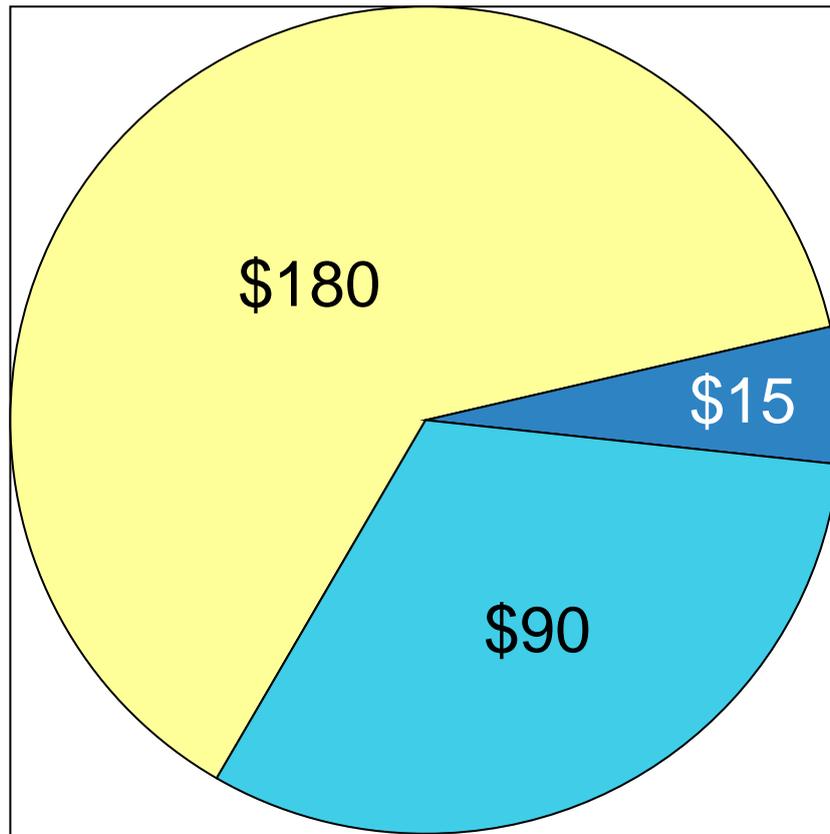
Recommendation from the Task Force on the Role of the State Bar of Michigan (2014) regarding Inactive dues

Recommendation: Reduce Inactive member dues

Rationale: Although Michigan's active dues are below the national average, Michigan's inactive dues are among the highest in the nation.

2015-16 State Bar of Michigan Active Member Dues

(Highest Dues Level for an Active Member)

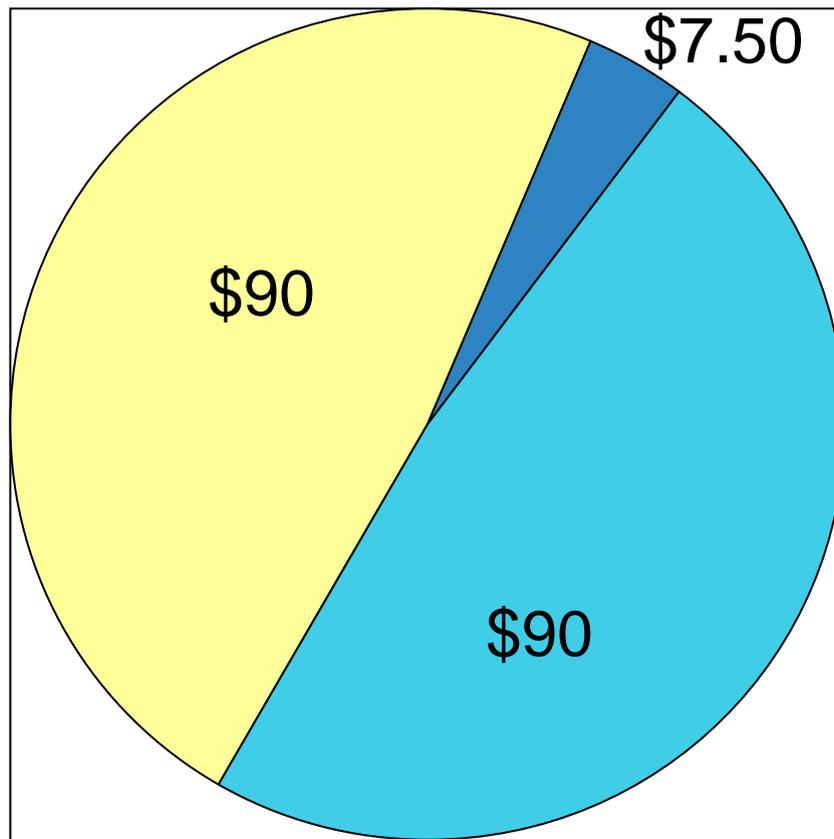


- State Bar Admin Fund
- Client Protection Fund
- Attorney Discipline System

Total Active Dues
\$285

2015-16 State Bar of Michigan Inactive Member Dues

(Highest Dues Level for an Inactive Member)



- State Bar Admin Fund
- Client Protection Fund
- Attorney Discipline System

Total Inactive Dues
\$187.50
(66% of Active dues)

The SBM and CPF portions are reduced to 50% of the Active member dues level, and the ADS portion is the same as the Active member dues level.

2015-16 State Bar of Michigan Annual Dues

	Active	Active 50 yrs service	Inactive	Inactive 50 yrs service	Emeritus
State Bar	180.00	0.00	90.00	0.00	0.00
Client Prot Fund	15.00	15.00	7.50	7.50	0.00
Atty Discipline	<u>90.00</u>	<u>90.00</u>	<u>90.00</u>	<u>90.00</u>	<u>0.00</u>
Total Dues	\$285.00	\$105.00	\$187.50	\$97.50	\$0.00

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

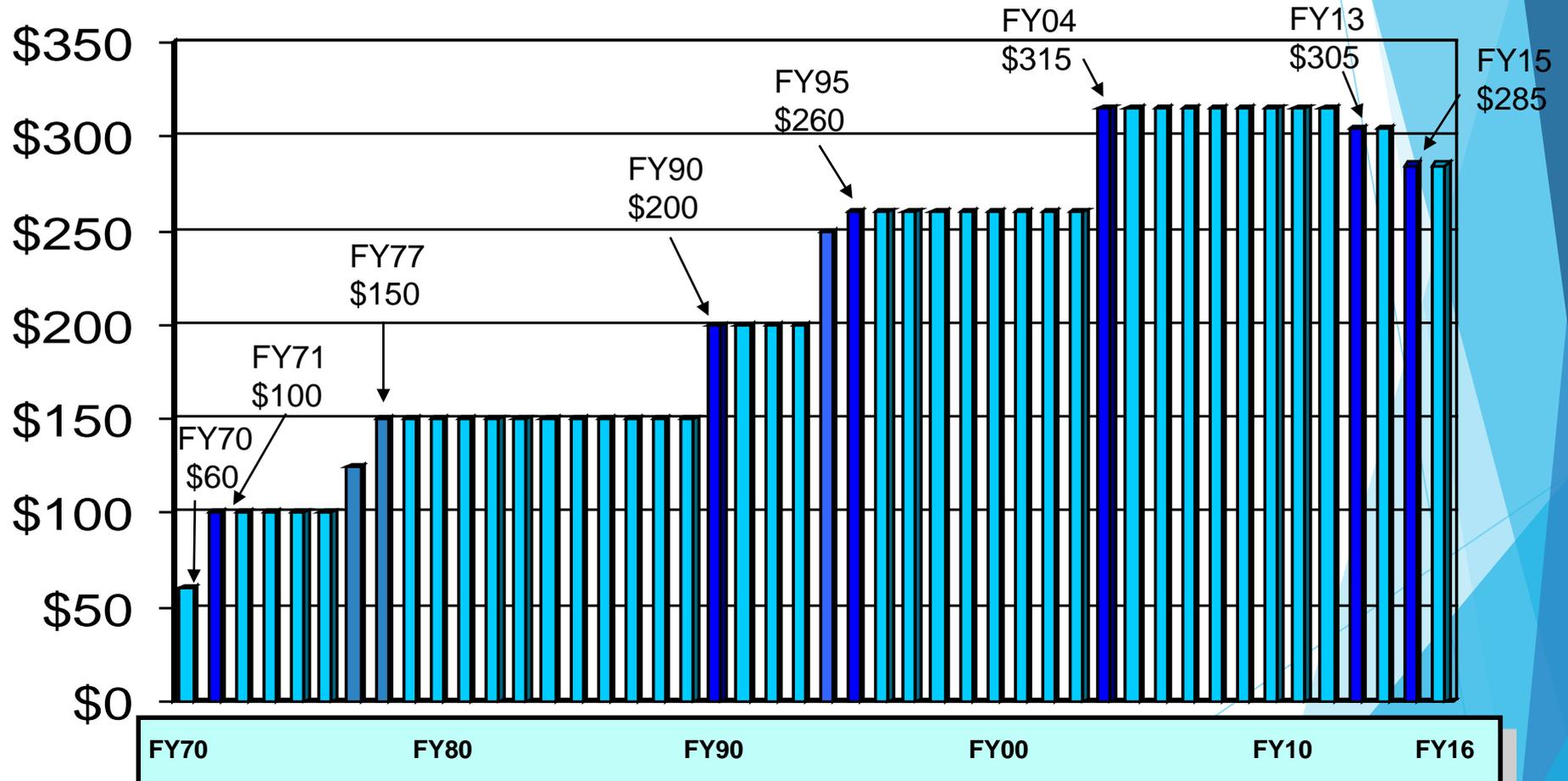
Active Duty Military - active dues are waived for up to 4 years

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

SBM Active Member Dues History

*Top Dues Level – Active Member
(Since FY 1970)*

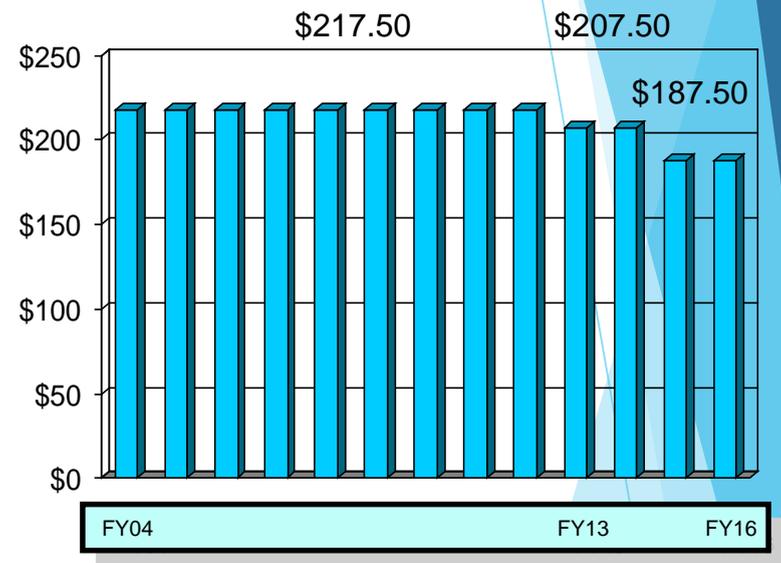
Annual Dues



Active member dues were decreased FY 2013 and FY 2015 due to decreases in the ADS portion ordered by the Michigan Supreme Court.

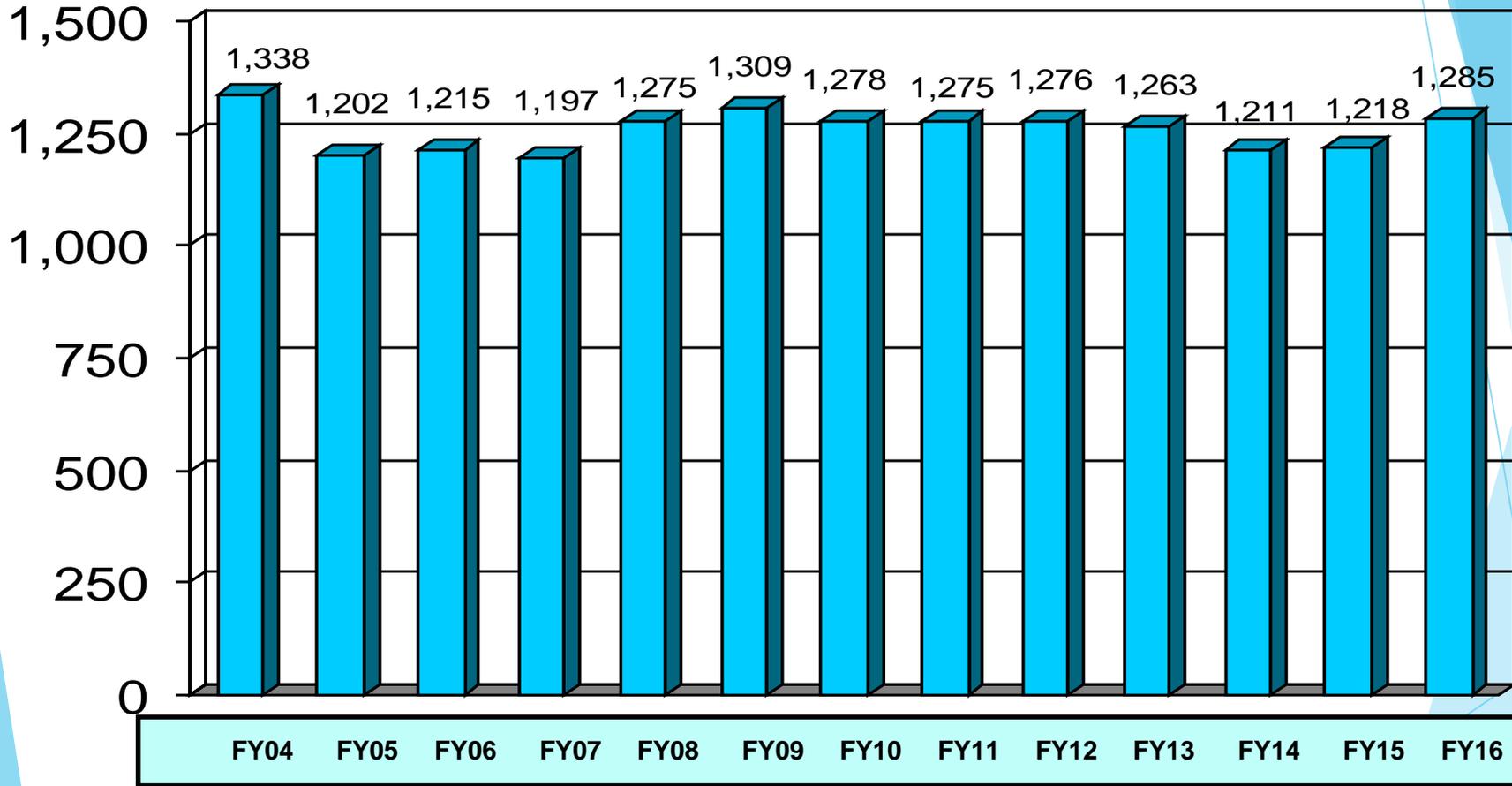
SBM Inactive Member Dues History

- Prior to FY 2004, there was no charge for Inactive members.
- In 2003, the Representative Assembly recommended implementation of a new Inactive dues amount at half the amount of Active dues for the SBM and CPF, but did not make a recommendation on the ADS portion.
- In 2003 the Supreme Court ordered Inactive dues for the SBM and CPF portions at half the level of Active dues, but did not reduce the ADS portion for Inactive members.
- Inactive member dues were decreased in FY 2013 and FY 2015 due to decreases in the ADS portion ordered by the Michigan Supreme Court.



Number of Inactive Members

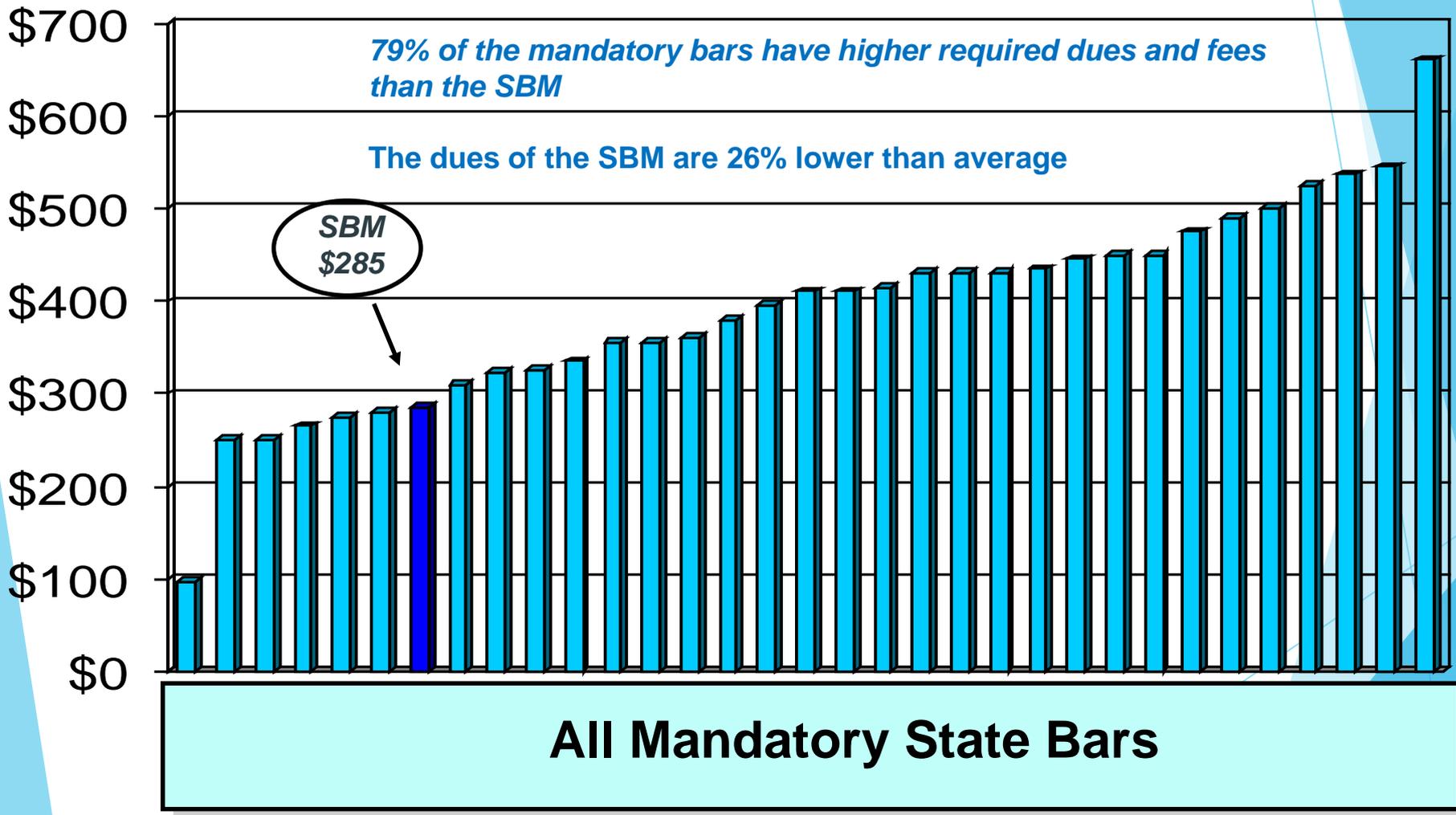
FY 2004 to FY 2016



As of February 29, 2016 there were 20 Inactive members with 50 or more years of service, who pay only the CPF portion (\$7.50) and ADS portion (\$90) for a total of \$97.50.

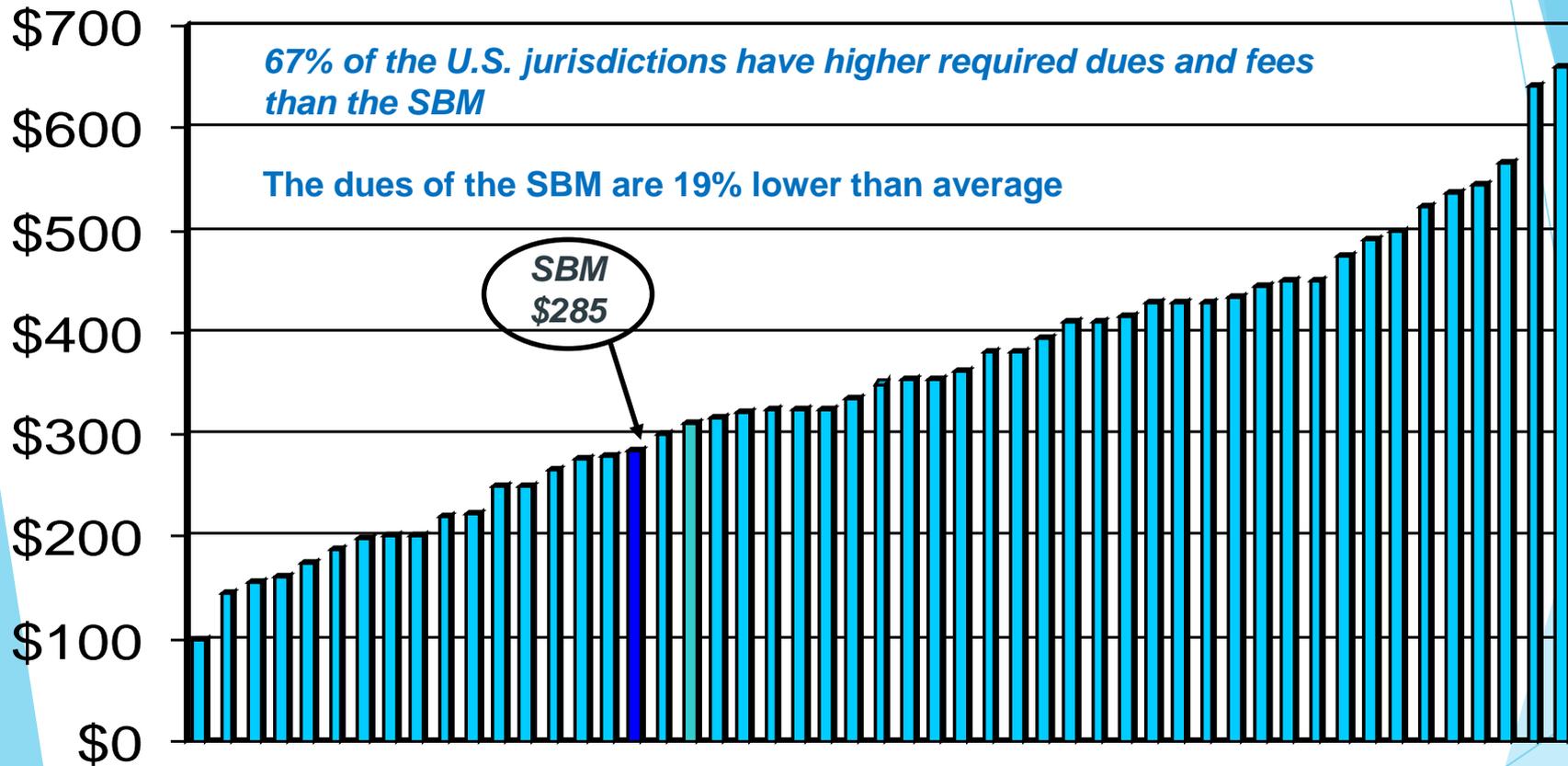
SBM Active Dues Comparison to Mandatory Bars

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



SBM Active Dues Comparison to All States

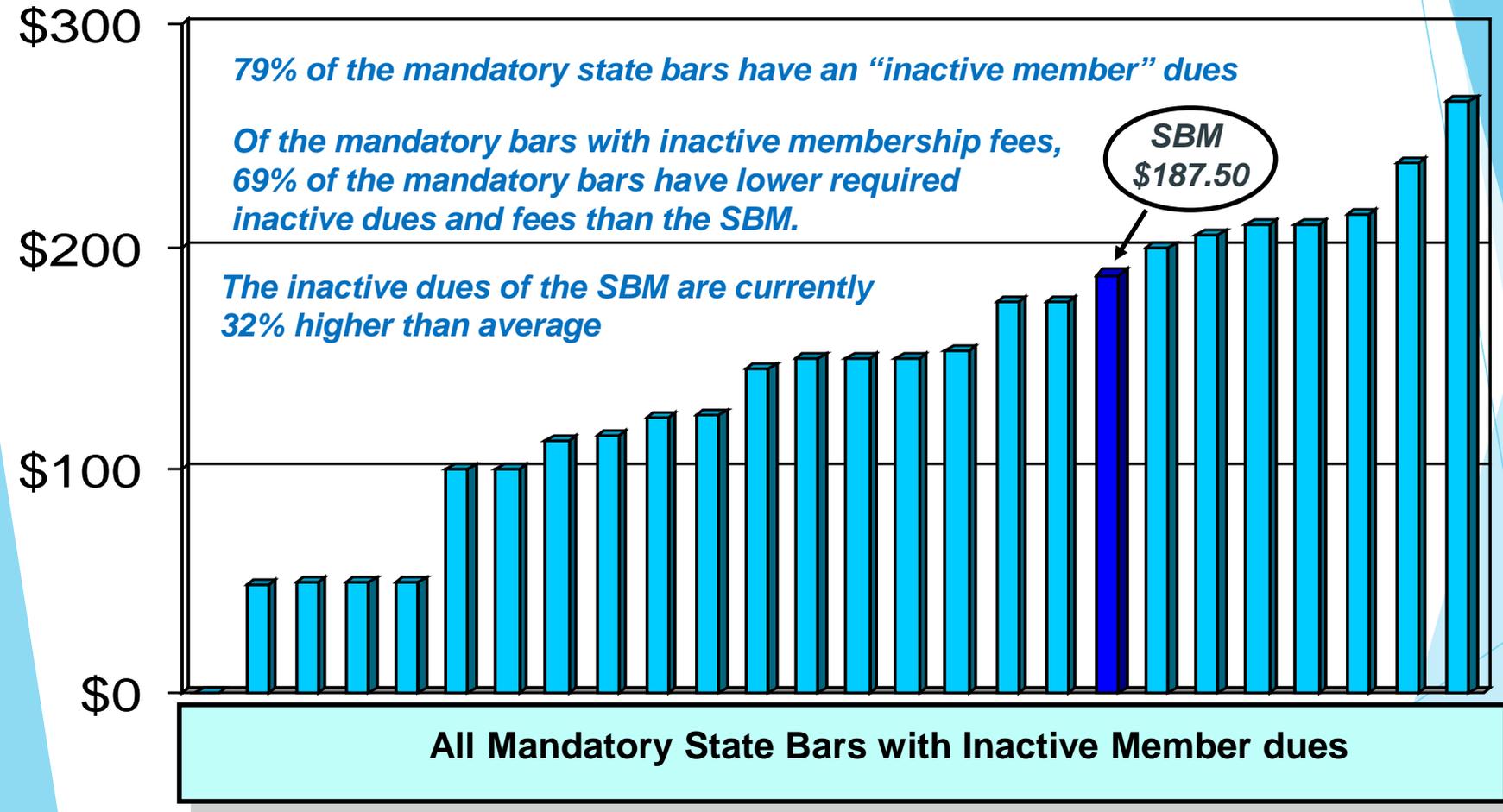
*All Required Regulatory Fees
except mandatory continuing legal education*



All States – Total Required Regulatory Fees other than mandatory continuing legal education

SBM Inactive Dues Comparison to Mandatory States

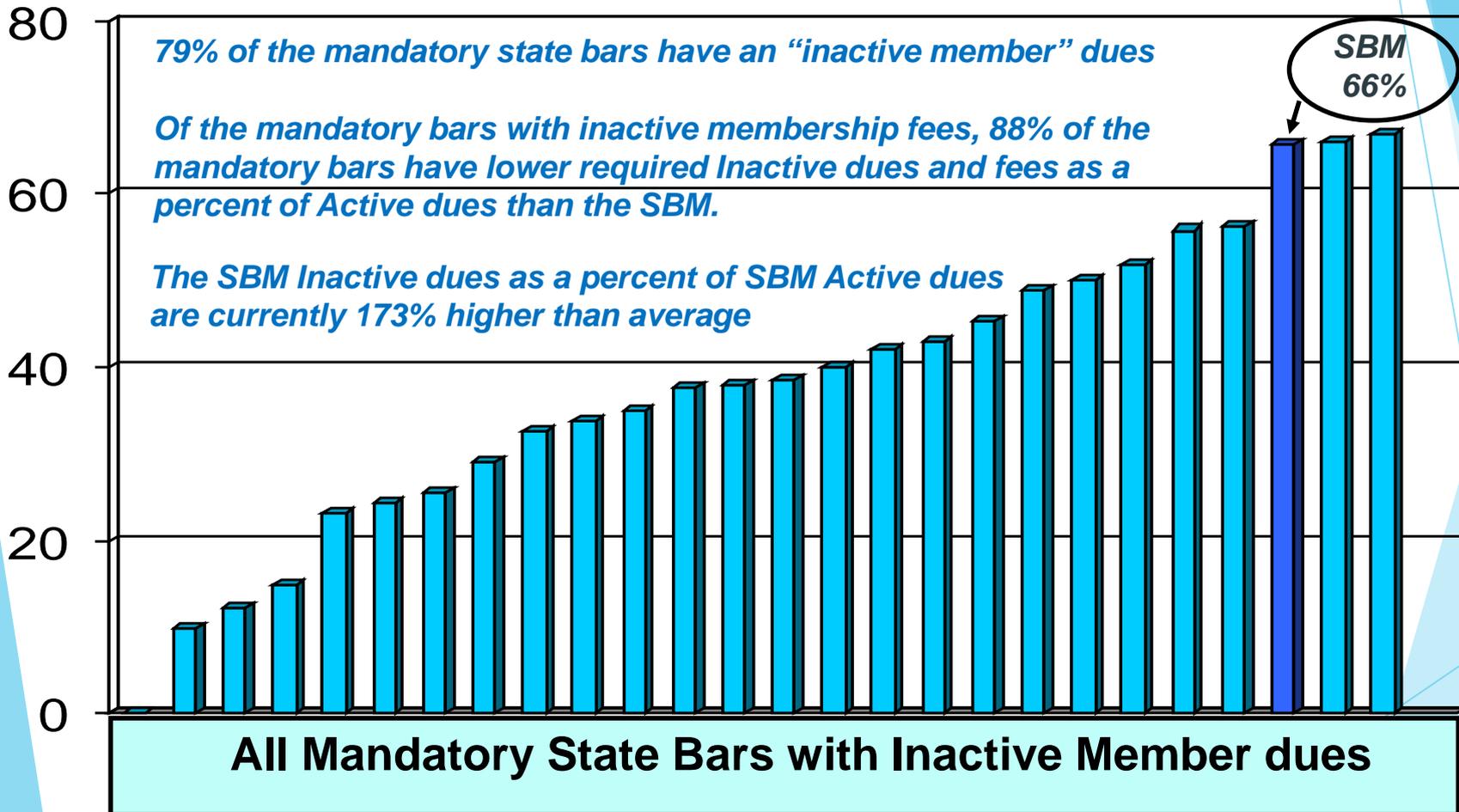
*All Required Regulatory Fees
except mandatory continuing legal education*



SBM Inactive Dues as a % of Active Dues Comparison to Mandatory States

*% Inactive
vs. Active dues*

*All Required Regulatory Fees
except mandatory continuing legal education*



The Case for Lowering Dues for Inactive Members

Rationale

Members who are not practicing have a lower burden on the discipline system and should not subsidize it as much as active members. Inactive members use less SBM services.

79% of mandatory bars have inactive status, and Michigan's inactive dues are currently among the highest.

Who's Affected

1,285 Inactive members, including 20 with 50 or more years of service

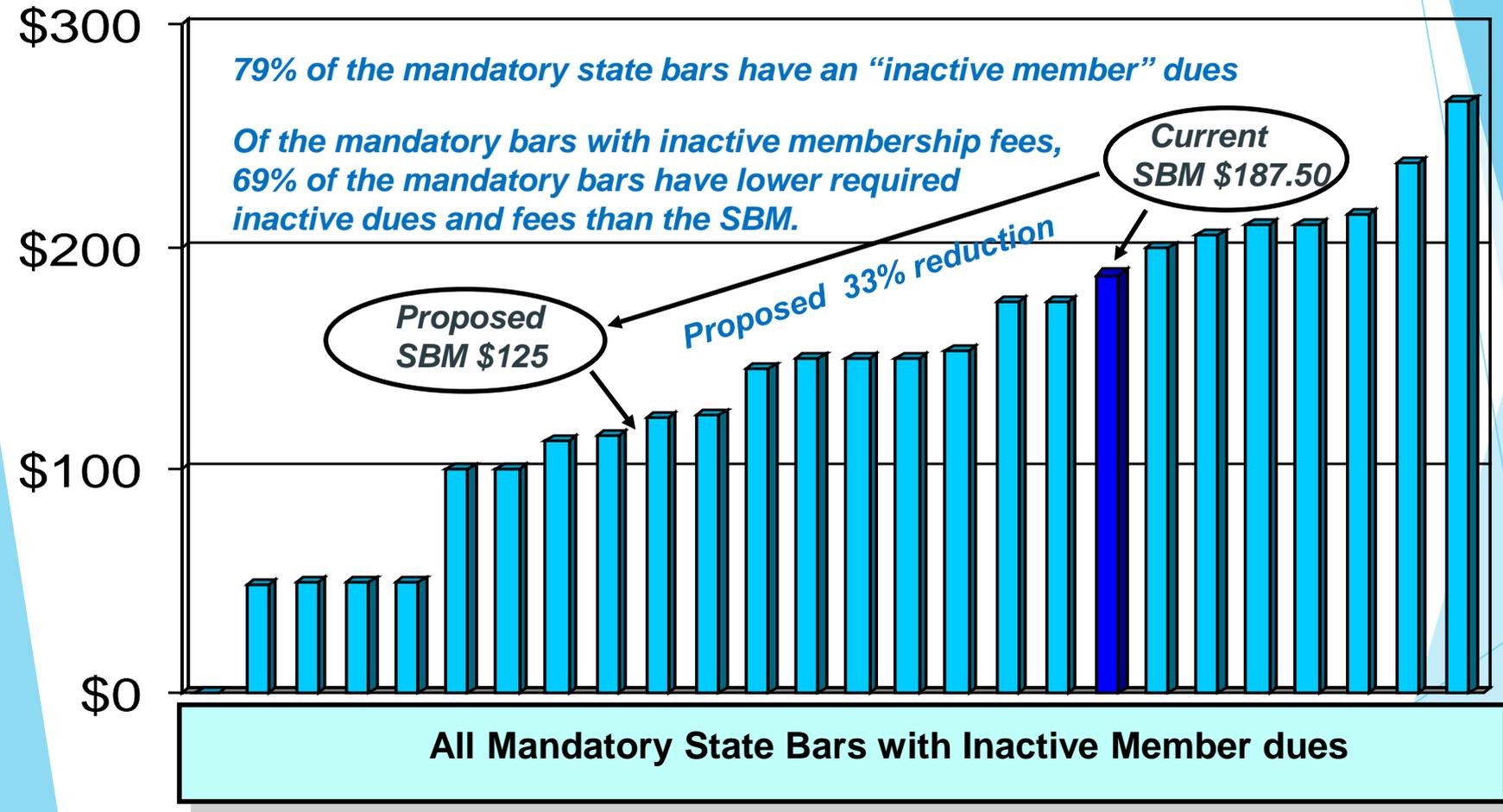
Recommendations: Reduce Inactive dues from \$187.50 to \$125 (reduce Inactive 50 or more years of service from \$97.50 to \$65).

Fiscal Impact

- Reduces revenue by \$80K annually.

SBM Inactive Dues Comparison to Mandatory States

*All Required Regulatory Fees
except mandatory continuing legal education*

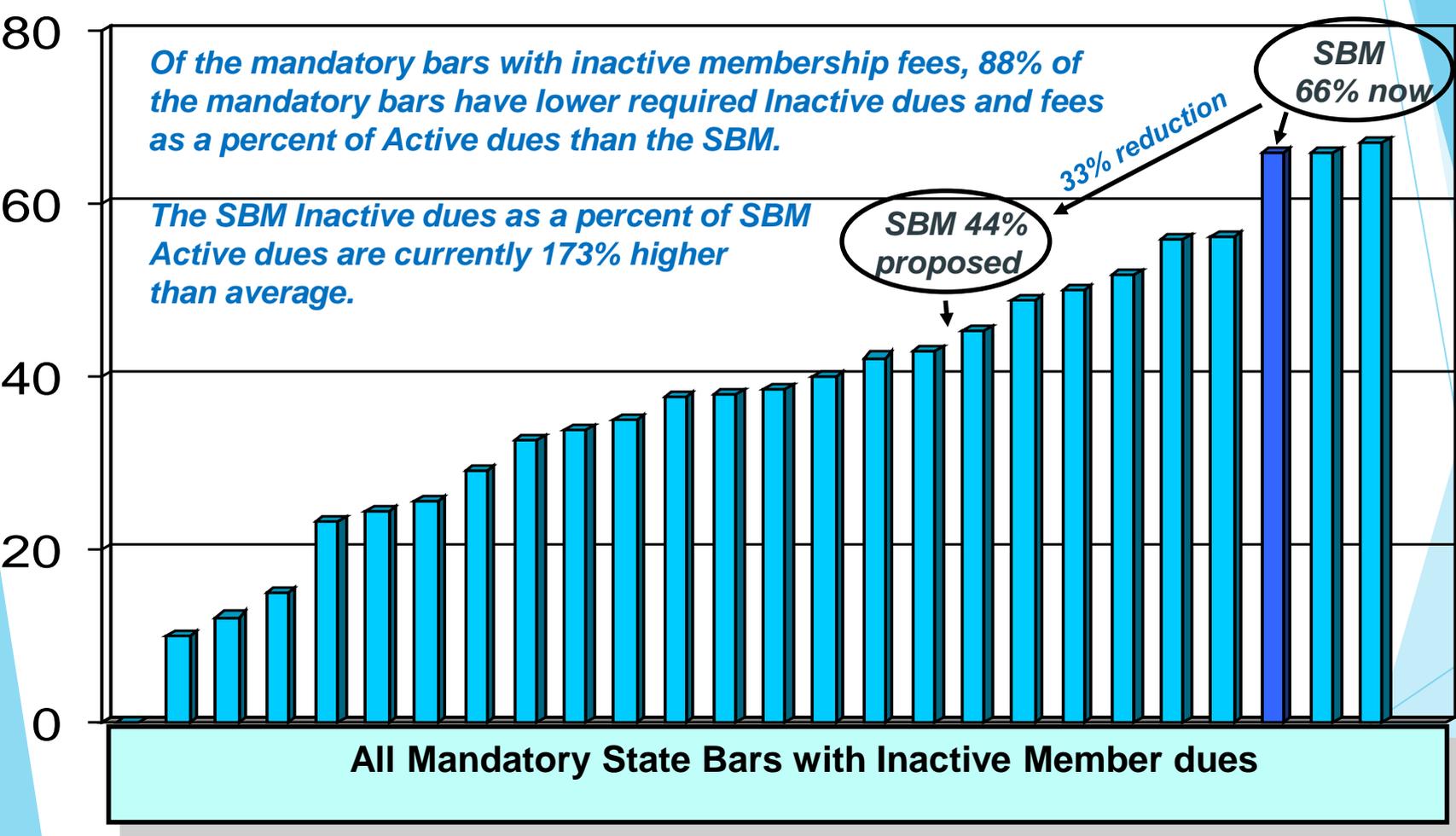


The inactive dues of the SBM are currently 32% higher than average
The proposed inactive dues of \$125 would be in the lower 40%

SBM Inactive Dues as a % of Active Dues Comparison to Mandatory States

*% Inactive
vs. Active dues*

*All Required Regulatory Fees
except mandatory continuing legal education*



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.
- SBM Inactive dues well above average, and the ratio of Inactive dues to Active dues compared to other mandatory states is 173% higher than average.
- Reduction in the level of Inactive dues proposed would make Michigan Inactive dues lower than average and help address concerns of Inactive members
- Special Issues Committee focused on Inactive dues reduction
- Fiscal and impact analysis now underway re. impact on discipline system and SBM, for further recommendation on balancing reduction between the affected systems
- If approved by RA, the proposal will be presented to the Michigan Supreme Court for consideration.