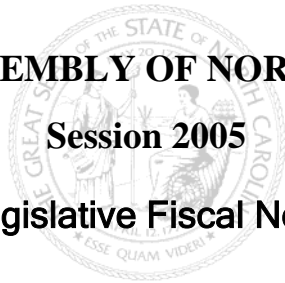


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 896 (First Edition)

SHORT TITLE: State Bar/Appeal/Fee.

SPONSOR(S): Representative Haire

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:					
General Fund	No General Fund Impact				
State Bar	\$727,525	\$749,351	\$771,831	\$794,986	\$1,169,766
POSITIONS					
(cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: State Bar					
EFFECTIVE DATE: Section 1, effective when law; Section 2, effective July 1, 2005.					

BILL SUMMARY: The first section of HB 896 has no fiscal impact. The second section of HB 896 increases the annual State Bar membership fee from an amount not to exceed \$200 to an amount not to exceed \$300. The State Bar last requested a dues increase in 1995. Currently the State Bar is assessing dues at the \$200 statutory maximum. Every lawyer desiring to practice in North Carolina, including judges and district attorneys, is required to pay dues. This fee is regarded as a service charge for the maintenance of the services authorized by the State Bar. These services include administering professional discipline, assisting members of the public who have problems with lawyers and the legal system, mediating fee disputes between lawyers and their clients, giving lawyers ethics advice, randomly auditing attorney trust accounts, reimbursing victims of dishonest lawyers, assisting lawyers suffering from addiction and mental illness, and making grants to support the provision of legal services to poor people.

ASSUMPTIONS AND METHODOLOGY: The State Bar derives most of its funding from member dues and does not receive any support for its operations from the General Fund, although it does distribute State funds in the form of grants to other entities in accordance with

statutory directives. Member dues are paid directly to the State Bar. Under current law, member dues may not exceed \$200. The agency has requested an increase in the statutory maximum since their annual revenue from dues is projected to fall short of their operating expenses beginning in 2006 if left at the current \$200 level.

The State Bar intends to increase their annual dues by \$35 beginning in 2006. They expect this will provide sufficient funding for all operations over the next three to four years, after which they may consider another increase. The \$100 increase in the statutory maximum is based on the agency's 10-year projections and is designed to allow the State Bar to increase membership dues as needed over the next decade without seeking statutory changes.

This projection assumes a \$35 increase for a total annual membership fee of \$235 from 2006 through 2009. It then assumes a \$15 increase over the \$235 annual membership fee for a total of \$250 in 2010.

State Bar members numbered 20,181 in 2005, and this projection assumes an annual 3% increase in membership through 2010. This is slightly higher than the 2.65% historical 5-year average derived from the table below.

Historic State Bar Membership and Fees 2000-2005						
	2000	2001	2002	2003	2004	2005
# of members	17,660	18,310	18,721	19,321	19,745	20,181
% change in membership	2.37%	3.68%	2.24%	3.20%	2.19%	2.21%
Annual dues*	\$175	\$175	\$175	\$175	\$200	\$200
Total revenue from dues (in millions)	\$3.09	\$3.20	\$3.28	\$3.38	\$3.95	\$4.04

Nationwide, law schools are experiencing full enrollment and the number of law school graduates taking the bar exam has steadily increased. Additionally, two North Carolina universities will open new law schools in coming years, one in 2006 and one in 2007. These factors make it likely that North Carolina will see a higher number of attorneys seeking State Bar membership in upcoming years.

Projected State Bar Membership and Fees 2005-2010					
	2005-06	2006-07	2007-08	2008-09	2009-10
# of members (3% increase per year)	20,786	21,410	22,052	22,714	23,395
Proposed increase in dues	\$35	\$35	\$35	\$35	\$50
Total revenue from increase	\$727,525	\$749,351	\$771,831	\$794,986	\$1,169,766

The State Bar projects that the total revenue derived from a \$35 increase over the existing membership fee will allow the agency to maintain a positive operating fund balance through 2009, at which time another increase may be necessary.

SOURCES OF DATA: State Bar

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Brenna Erford and Linda Struyk Millsaps

APPROVED BY: James D. Johnson, Director
Fiscal Research Division



DATE: May 2, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices