

STATE BAR OF MICHIGAN  
BOARD OF COMMISSIONERS  
FRIDAY, JUNE 14, 2019  
GRAND HOTEL – GRAND PAVILION ROOM  
MACKINAC ISLAND  
8:30 A.M.  
AGENDA

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State Bar of Michigan Statement of Purpose

“...The State Bar of Michigan shall aid in promoting improvements in the administration of justice and advancements in jurisprudence, in improving relations between the legal profession and the public, and in promoting the interests of the legal profession in this state.”

Rule 1 of the Supreme Court Rules Concerning the State Bar of Michigan

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- I. Call to Order.....Jennifer M. Grieco, President

**CONSENT AGENDA**

- II. **Minutes**  
A. April 12, 2019 Board of Commissioners\*  
B. May 21, 2019 Board of Commissioners\*  
B. March 26, 2019 Executive Committee\*  
C. May 14, 2019 Executive Committee\*
- III. **President’s Activities**.....Jennifer M. Grieco, President  
A. Recent Activities\*
- IV. **Executive Director’s Activities**.....Janet K. Welch, Executive Director  
A. Recent Activities\*
- V. **Finance**.....James W. Heath, Chairperson  
A. FY 2019 Financial Reports through April 2019\*
- VI. **Section Dues Amendment**.....Darin Day, Director of Outreach  
A. Workers' Compensation Law Section\*

**LEADERSHIP REPORTS**

- VII. **President’s Report**.....Jennifer M. Grieco, President  
A. Introduction of Guests  
B. Officer Election Candidates  
C. Strategic Planning Committee Update  
D. State Bar Operations, Structure, and Governance Task Force Update
- VIII. **Executive Director’s Report** .....Janet K. Welch, Executive Director  
A. *Fleck v Wetch* Update  
B. Election Update  
C. IT Audit  
D. FY 2020 Preliminary Budget – Key Budget Assumptions\*

- IX. Representative Assembly (RA) Report..... Richard L. Cunningham, Chairperson
- X. Young Lawyers Section Report ..... Kara Hart-Negrich, Chairperson

**COMMISSIONER COMMITTEES**

- XI. Finance..... James W. Heath, Chairperson
  - A. FY 2019 Financial and Investment Update
- XII. Professional Standards ..... Dana M. Warnez, Chairperson
- XIII. Communications and Member Services ..... Robert J. Buchanan Chairperson
  - A. Liberty Bell Award\*
- XIV. Public Policy..... Dennis M. Barnes, Chairperson
  - A. Court Rules\*\*
  - B. Legislation\*\*

**OTHER REPORTS**

- XV. American Bar Association (ABA) Report.....Delegates

**FOR THE GOOD OF THE PUBLIC AND THE PROFESSION**

- XVI. Comments or questions from Commissioners
- XVII. Comments or questions from the public
- XVIII. Adjournment

\*Materials included with agenda

\*\* Materials delivered or to be delivered under separate cover or handed out

President Grieco called the meeting to order at 9:45 a.m. on April 12, 2019 in the Boardroom of the Michael Franck Building in Lansing, MI.

Commissioners present:

Danielle Mason Anderson  
David C. Anderson  
Dennis M. Barnes, President-Elect  
Joseph J. Baumann  
Robert J. Buchanan, Vice President  
Aaron V. Burrell  
B.D. "Chris" Christenson  
Richard L. Cunningham  
Syeda F. Davidson  
Josephine A. DeLorenzo  
Hon. Shauna L. Dunnings  
Andrew F. Fink III  
Jennifer M. Grieco, President  
Lisa J. Hamameh

Kara R. Hart-Negrich  
Edward L. Haroutunian  
Thomas H. Howlett  
Joseph P. McGill  
Hon. David A. Perkins  
Barry R. Powers  
Daniel D. Quick  
Victoria A. Radke  
Chelsea M. Rebeck  
Gregory L. Ulrich  
Dana M. Warnez, Secretary  
Erane C. Washington  
Ryan Zemke

Commissioners absent and excused:

Hon. Clinton Canady III  
James W. Heath, Treasurer

Michael S. Hohausser  
E. Thomas McCarthy Jr.

State Bar staff present:

Janet Welch, Executive Director  
Marge Bossenbery, Executive Coordinator  
Nancy Brown, Director, Communications and Member Services Division  
Candace Crowley, Senior Consultant  
Peter Cunningham, Assistant Executive Director and Director, Governmental Relations  
Cliff Flood, General Counsel  
Thomas Grden, Clinical Case Manager, Lawyers and Judges Assistance Program  
Danon Goodrum-Garland, Director, Professional Services Division  
Kathryn Hennessey, Public Policy Counsel  
James Horsch, Director, Finance and Administration Division  
Nkrumah Johnson-Wynn, Assistant General Counsel  
Robert Mathis, Pro Bono Service Counsel  
Alecia Ruswinckel, Assistant Director, Professional Standards Division  
Amanda Segar, Fee Licensing Specialist  
Jeanette Socia, Director, Human Resources  
Kari Thrush, Assistant Division Director, Member Services  
Tish Vincent, Program Administrator, Lawyers and Judges Assistance Program

Guests

Mark Engle, Consultant, Association Management Center  
David Watson, Executive Director, ICLE

## Consent Agenda

The Board received the minutes from the January 18 and March 8, 2019 Board meetings.  
The Board received the minutes from the January 8 and February 12, 2019 Executive Committee meetings.  
The Board received the recent activities of the president.  
The Board received the recent activities of the executive director.  
The Board received the FY 2019 Financial Reports through February 2019.  
The Board received the 2018 Report of the State Bar of Michigan (SBM) retirement plans.  
The Board received Client Protection Fund Claims.  
The Board received the 50-Year Honoree Resolution.  
The Board received a section dues amendment from the Alternative Dispute Resolution Section.

Ms. Grieco asked the Board if there were any items that needed to be removed from the consent agenda. There were none.

A motion was offered and supported to approve the consent agenda. The motion was approved.

## **LEADERSHIP REPORTS**

### **President's Report**, Jennifer M. Grieco, President

#### **State Bar Leadership Implicit Bias Training**

Ms. Grieco introduced Judge Cynthia Stephens, chair of the Diversity and Inclusion Committee, who provided the Board with an overview for the need for the Board to participate in an implicit bias program. Judge Stephens reported that the State Bar has helped bring implicit bias programs to many other bars and external groups around the state, most recently the Prosecuting Attorneys Association of Michigan, and they have been well received. She said that the program could be designed for justice system decision makers, and that all SBM section chairs should be invited to attend.

Ms. Grieco asked the staff to work with Judge Stephens to schedule an implicit bias program for the Board of Commissioners and SBM committee leaders early in September 2019.

#### **Board Officer Election Timeline, Procedure, and Matrix**

Ms. Grieco informed the Board that the deadline to submit a letter of interest, resume, and completed matrix for an officer position, other than for president and president-elect, is June 11, 2019. The materials should be submitted to her.

### **Executive Director's Report**, Janet K. Welch, Executive Director

#### **Fleck v Wetch Update**

Ms. Welch provided an overview of the status of the integrated bar challenge, and an update of the joint defense agreement. She reported that the State Bar of Michigan has filed the amici brief joined by five other integrated state bars, in the 8<sup>th</sup> Circuit.

#### **FY 2020 Budget Process, Roles, and Calendar**

Mr. Horsch described the FY 2020 budget process to the Board. He reported that current plans are for the FY 2020 Key Budget Assumptions to be reviewed with the Board at its June meeting and for the proposed FY 2020 budget to be brought before the Board at its July meeting.

Goals and Priorities for FY 2019

This item was deferred to a future meeting.

Introduction of New SBM Staff

Ms. Vincent introduced Thomas Grden, clinical case manager in the Lawyers and Judges Assistance Program.

Mr. Horsch introduced Amanda Seger, fee licensing specialist in the Finance and Administration Division.

**Representative Assembly (RA) Report**, Richard L. Cunningham, Chairperson

Mr. Cunningham reported that at its April 13 meeting the RA will address two proposals. The first is the proposed Interim Administrator Program and the second, a proposed amendment to court rules on scheduling attorney vacations. Ms. Welch will talk to the RA about the amicus brief in the *Fleck* case and Mark Engle, of American Management Center, will present on the State Bar Operations, Structure, and Governance Task Force.

**Young Lawyers Section (YLS) Report**, Kara R. Hart-Negrich, Chairperson

Ms. Hart-Negrich provided the Board with an update on recent activities of the YLS and reminded the Board that the “Board Game Challenge” event between the Board of Commissioners and the Young Lawyers Section Executive Council is taking place today beginning at 3:30 p.m. in Rooms 1 & 2 of the State Bar building.

**SPECIAL REPORT**

**State Bar Operations, Structure, and Governance Task Force**

Ms. Grieco reported on the past activities of the State Bar Operations, Structure, and Governance Task Force and introduced the Task Force consultant, Mark Engle. Mr. Engle described the task force activity to date and next steps, and asked the Board for input. The Task Force is scheduled to present its recommendations to the RA and the Board in April 2020.

**COMMISSIONER COMMITTEES REPORTS**

**Finance Committee Report**, James W. Heath, Chairperson

In Mr. Heath’s absence, Ms. Rebeck reviewed the highlights of the FY 2019 financial reports through February 2019. Ms. Rebeck also reported that the Finance committee has formed a subcommittee on a potential fee increase and will report to the Board at a future meeting.

**Professional Standards**, Dana M. Warnez, Chairperson

**American Bar Association appointment**

A motion was offered and supported to appoint Julie I. Fershtman as the SBM delegate to the ABA House of Delegates for a two-year term. The motion was approved.

**Appellate Defender Commission Recommendations**

A motion was offered and supported to recommend to Governor Whitmer that she reappoint Judith S. Gracey and Douglas E. Mains as SBM representatives on the Appellate Defenders Commission. The motion was approved.

**Communications and Member Services**, Robert J. Buchanan, Chairperson

**2019 John W. Cummiskey Award**

A motion was offered and supported to award the Access to Justice Initiative John W. Cummiskey Award to Kimberly Scott. The motion was approved.

**2019 SBM Awards Committee Recommendations**

A motion was offered and supported to award the Roberts P. Hudson Award to Lawrence P. Nolan; the Frank J. Kelley Distinguished Public Service Award to the Hon. Michael J. Talbot; the Champion of Justice Award to Julie A. Gafkay, Robert P. Gillett, and Marla R. McCowan; the Kim Cahill Bar Leadership Award to Michael Sullivan; and the John W. Reed Michigan Lawyer Legacy Award to Professor Lawrence C. Mann and Professor Suellyn Scarnecchia. The motion was approved.

Ms. Warnez reported that the recommendation for the Liberty Bell Award winner will be brought to the Board at its June meeting.

**Public Policy**, Dennis M. Barnes, Chairperson

**Court Rules**

**ADM File No. 2002-37: Proposed Amendment of Rule 1.109 of the Michigan Court Rules**

The proposed amendment of Rule 1.109 of the Michigan Court Rules is an expected progression necessary for design and implementation of the statewide electronic-filing system. This particular amendment will assist in implementing the goals of the project.

A motion was offered and supported to support the proposed amendment with the amendments proposed by the Access to Justice Policy Committee and Civil Procedure & Courts Committee to (G)(6)(a)(ii) regarding setting forth a non-exhaustive list of “good cause” factors, and to support ATJ Policy’s recommendation that the filing deadlines should be stayed pending the court’s review of the e-filing exemption request. The motion was approved.

**ADM File No. 2002-37: Proposed Administrative Order 2019-XX**

To ensure that those individuals required to electronically file court documents have meaningful access to Michigan courts, the Michigan Supreme Court adopts this order requiring courts that seek permission to mandate that all litigants e-File to first submit an e-Filing Access Plan for approval by the State Court Administrative Office.

Each plan must conform to the model promulgated by the state court administrator and ensure access to at least one computer workstation per county. The plan shall be submitted to and approved by the State Court Administrative Office as a local administrative order under MCR 8.112. The State Court Administrative Office may revoke approval of an e-Filing Access Plan due to litigant grievances.

A motion was offered and supported to support the administrative order with the following changes:

- Courts mandating e-filing should be required to have at least one court computer workstation at the courthouse and all workstations have assistance available.
- Court should be required to provide in-person e-filing assistance.
- The court should follow the SCAO guidelines for what does and does not constitute legal advice.

The motion was approved.

**ADM File No. 2016-46: Special Administrative Inquiry Regarding Questions Relating to Mental Health on the Michigan Bar Examination Application**

The Court is considering whether questions regarding mental health should be included on the personal affidavit that is part of the application for the Michigan Bar Examination, and if so, what form those questions should take.

The motion was offered and supported to support the Character & Fitness Committee recommendation that the current questions be replaced with the NCBE language but extend inquiry to 10 years. The Board also recommends that the BLE should consider the potential benefits of using an independent health professional in appropriate circumstances involving mental health, and the Court maintain data and monitor the new NCBE questions for five years to assess what impact the NCBE questions have on the character & fitness process. The motion was approved.

**ADM File No. 2018-25: Proposed Amendment of Rule 7.312 of the Michigan Court Rules**

The proposed amendment of MCR 7.312 would incorporate into the Supreme Court rules the procedure to be followed for cases being argued on the application. These rules have been previously included in orders granting argument on the application. A proposed new subrule (K) would alert parties to the fact that they should argue the merits of the case even for motions being heard on the application.

A motion was offered and supported to support the proposed amendment, with the amendment to make the briefing deadlines for MOAAs the same as grants. The motion was approved.

**Legislation**

**HB 4296** (Filler) Civil procedure; costs and fees; e-filing fee; extend sunset. Amends sec. 1993 of 1961 PA 236 (MCL 600.1993).

A motion was offered and supported that the bill is *Keller* permissible in that it impacts the improvement of the functioning of the courts. The motion carried.

A motion was offered and supported to support the bill. The motion was approved.

**SB 0076** (LaSata) Courts; other; certain crime victims; exempt from jury duty and provide that certain individuals are not practicing law in violation of the revised judicature act. Amends secs. 916 & 1307a of 1961 PA 236 (MCL 600.916 & 600.1307a).

A motion was offered and supported that the bill is *Keller* permissible because it addresses the ability of legal services to society.

A motion was offered and supported to oppose this bill. The motion was approved.

Judge Dunnings provided the Board with a summary of the Trial Court Funding Commission report, which was released this week.

## **OTHER REPORTS**

### **American Bar Association (ABA) Report**

Ms. Grieco reported that she participated in ABA Days in Washington, DC and advocated for Legal Services Corporation funding and public service loan forgiveness issues. She stated that it was a phenomenal experience participating with the Michigan delegation.

Mr. Ulrich provided the Board with an update on the ABA Standing Committee for Legal Assistance to Military Personnel which met at Fort Sam Houston in San Antonio. He moderated the ABA CLE Webinar for JAG officers and private attorneys with 180 participants.

## **FOR THE GOOD OF THE PUBLIC AND THE PROFESSION**

### **Comments or Questions from Commissioners**

Ms. Warnez recognized that Syeda Davidson received the Macomb County Bar Association Pro Bono Award.

Mr. Haroutunian mentioned that earlier this month the state of Alabama became the 49<sup>th</sup> state to recognize the Armenian genocide which began in 1915. He stated that the state of Mississippi is the last state left to consider this issue.

Mr. Haroutunian expressed his concern about a member who was solicited to join a group and after refusing the solicitation was reviewed in a negative way by that group. As a solo practitioner it is very difficult for him. Ms. Grieco said that the member contacted her as well and that she is proposing that this issue be referred to the newly appointed SBM Task Force on Legal Services Marketing.

Mr. Powers asked Ms. Welch about the status of the Master Lawyers Section. Ms. Welch stated that the Board voted at the January Board meeting to dissolve the Master Lawyers Section at the end of the current bar year. The staff will continue providing support to the section if it continues as a voluntary section, but the SBM will not provide any financial support. The deadline for filing the paperwork to make the section voluntary for the upcoming bar year is July 1. Ms. Welch stated that the SBM continues to maintain the section's listserv, but there have been concerns about what is posted.

A motion was offered and supported to give notice to the Master Lawyers Section that the State Bar is terminating the underwriting of the listserv effective at the end of the bar year.

The motion was approved. Mr. Powers abstained.

### **Comments or Questions from the Public**

There were none.

### **Adjournment**

The meeting was adjourned at 1:23 p.m.

President Grieco called the teleconference meeting of the Board to order at 4:05 p.m. on, Tuesday, May 21, 2019

**Commissioners Present:**

Danielle Mason Anderson  
Dennis M. Barnes, President-Elect  
Joseph J. Baumann  
Robert J. Buchanan, Vice President  
B.D. "Chris" Christenson  
Richard L. Cunningham  
Syeda F. Davidson  
Josephine A. DeLorenzo  
Andrew F. Fink III  
Jennifer M. Grieco, President  
Lisa J. Hamameh

Kara R. Hart-Negrich  
James W. Heath, Treasurer  
Edward L. Haroutunian  
Thomas H. Howlett  
Joseph P. McGill  
Barry R. Powers  
Daniel D. Quick  
Victoria A. Radke  
Dana M. Warnez, Secretary  
Erane C. Washington  
Ryan Zemke

**Commissioners absent and excused:**

Aaron V. Burrell  
David C. Anderson  
Shauna L. Dunning  
Michael S. Hohaus

Hon. Clinton Canady III  
E. Thomas McCarthy Jr.  
Hon. David A. Perkins  
Chelsea M. Rebeck  
Gregory L. Ulrich

**State Bar Staff present:**

Janet Welch, Executive Director  
Marge Bossenbery, Executive Coordinator  
Peter Cunningham, Assistant Executive Director and Director, Governmental Relations  
Kathryn Hennessey, Public Policy Counsel

**Legislation:**

**HB 4488 and 4489:**

**HB 4488** (Iden) **Occupations: individual licensing and registration; Occupations: other; State agencies (existing): licensing and regulatory affairs; State agencies (existing): boards and commissions.** Occupations; individual licensing and registration; use of criminal record to determine eligibility for occupational licensing; restrict. Amends title & secs. 1, 2, 3, 4, 5, 6 & 7 of 1974 PA 381 (MCL 338.41 et seq.).

**HB 4489** (Bellino) Occupations; attorneys; qualifications for admission to state bar; clarify good moral character requirement. Amends sec. 934 of 1961 PA 236 (MCL 600.934).

A motion was offered and seconded that these bills are Keller permissible because they directly impact the regulation of the legal profession. The motion carried.

A motion was offered and supported to support HB 4489 and to support amending HB 4488 so that the provisions of the bill do not apply to attorneys. The motion carried.

**Judiciary Budget: Executive Recommendation and SB 142 (S-1):** The Executive Recommendation and SB 142 propose a total of \$309 million to fund the Michigan Supreme Court, Court of Appeals, Judicial compensation, Judicial Tenure Commission, the State Appellate Defender Office, and various other programs and initiatives, such as specialty courts, e-filing, and indigent civil legal assistance.

A motion was offered and seconded that the Executive Recommendation and bill are Keller permissible because they impact improvement of the functioning of the courts and the availability of legal services to society. The motion carried.

A motion was offered and supported to support the Judiciary Budget as contained in SB 142 (S-1). The motion carried.

**Funding for the Michigan Indigent Defense Commission: Executive Recommendation and SB 143 (S-1):** The Board has previously supported adequate funding of the MIDC. The Executive Recommendation and SB 143 contain \$205,000 to allow the MIDC to comply with its new legislatively-mandated duty to provide MIDC-funded training and education and measure the quality of training. The House version of the budget does not contain these funds.

A motion was offered and seconded that this bill and Executive Recommendation are Keller permissible because they impact the availability of legal services to society. The motion carried.

A motion was offered and supported to support the proposed budget for the Michigan Indigent Defense Commission as contained in SB 143 (S-1). The motion carried.

The meeting was adjourned at 4:38 p.m.

**State Bar of Michigan**  
**Executive Committee Conference Call**  
**Tuesday, March 26, 2019**  
**4:00 p.m.**

**Call to Order:** President Grieco called the meeting to order at 4:04 p.m.

**Members Present:** President Jennifer M. Grieco, President-Elect Dennis M. Barnes, Vice President Robert J. Buchanan, Secretary Dana M. Warnez, Treasurer James W. Heath, Representative Assembly Chair Richard L. Cunningham, Representative Assembly Vice-Chair Aaron V. Burrell, and Commissioners Syeda F. Davidson, Daniel D. Quick, and Erane C. Washington.

**Members Absent:** None

**State Bar Staff Present:** Janet Welch, Executive Director; Margaret Bossenbery, Executive Coordinator; Nancy Brown, Director of Member and Communication Services; Greg Conyers, Director of Diversity; Peter Cunningham, Assistant Executive Director and Director of Governmental Relations; Cliff Flood, General Counsel; Danon Goodrum-Garland, Director of Professional Standards; James Horsch, Director of Finance & Administration; Rob Mathis, Pro Bono Service & Justice Initiatives Counsel; and Anne Vrooman, Director of Research & Development.

**Approval of February 12, 2019 meeting minutes**

A motion was made and seconded to approve the February 12, 2019 Executive Committee meeting minutes. The motion passed.

**President's Report**

President Grieco reported on the Governance Task Force meeting last Monday with the consultant. The EC discussed their assessment of the meeting and a plan for the consultant to meet with the BOC and RA at their April meetings. She also reported on a Bar Journal article she is writing on attorney wellness, and her upcoming calls with the YLS and LJAP Director Vincent to discuss the SBM's approach to dealing with this issue.

Ms. Grieco asked Mr. Mathis to report on the Detroit Eviction Right to Counsel (RTC) Summit. Mr. Mathis reported that in 2017, 32,000 evictions were filed against Detroit tenants. Only about 4% of the tenants facing eviction were represented by an attorney. Mr. Mathis, along with members of the judiciary, law firms, legal aid providers, and members of Detroit city government attended the Summit. Post-Summit, a coalition of stakeholders is working to push for a proposal to guarantee a lawyer for all low-income renters in Detroit facing eviction.

Ms. Grieco also reported that she has asked Judge Cynthia Stephens to invite the Board of Commissioners to attend an implicit bias program conducted by Kimberly Papillon that will also be provided to SBM committees.

### **Representative Assembly Chair's Report**

Representative Assembly Chair Cunningham reported on the RA award nominees, and also the issues that will be discussed at the upcoming RA April meeting including the proposed interim administrator program and proposed amendments to court rules on scheduling attorney vacations.

### **Executive Director's Report**

Ms. Welch asked Mr. Horsch to report on the statistics of attorneys suspended for the non-payment of license fees. Mr. Horsch noted that there were 438 active and 55 inactive attorneys suspended for non-payment in February, and since then 25% of the active suspended attorneys and 13% of the inactive suspended attorneys have since paid. The number of active attorney suspensions were 22% lower than last year and the number of inactive attorney suspensions were 41% lower than last year.

Ms. Welch asked Ms. Brown to report on the recently completed technology assessment (tech audit). Ms. Brown reported that in January, she and Mr. Horsch developed and issued a request for proposal (RFP) for an outside consulting firm to perform an information technology assessment called for within the SBM strategic plan, and also more immediately prompted by some challenges faced during the most recent member online fee process. The firm of Plante Moran was engaged in late February to perform this assessment. The scope of this assessment involved review of the IT infrastructure, IT resources (personnel), IT application development, member and public interfaces, and IT staff continuity and access. The Plante Moran assessment team arrived in Lansing in March to interview IT staff and the senior management team; review processes, policies and documentation; conduct staff surveys; perform analysis; and develop their findings and recommendations. The team completed their assessment and will be presenting their findings to the senior management team on April 8.

Ms. Welch updated the EC on the progress of the amicus brief being prepared in support of the integrated bar in *Fleck v. Wetch*.

### **National Consortium DIAC Co-Chair Attendance**

Mr. Conyers reviewed the request to spend \$1,500 in budgeted expenses for SBM Diversity & Inclusion Advisory Committee co-chair Judge Cynthia Stephens to attend this year's National Consortium on Racial & Ethnic Fairness in the Courts. The consortium will be held on May 19-22 in Miami. A motion was made and seconded to approve the expenditure. The motion passed.

### **April 12, 2019 SBM Board Agenda**

Ms. Bossenbery reviewed the amended BOC agenda provided to the EC. After discussion, a motion was made and seconded to approve the agenda. The motion passed.

### **Other**

### **Adjournment**

There being no further business for the Executive Committee, President Grieco adjourned the meeting at 4:44 p.m.

Submitted by James C. Horsch  
May 8, 2019

**State Bar of Michigan**  
**Executive Committee Conference Call**  
**Tuesday, May 14, 2019**  
**4:00 p.m.**

**Call to Order:** President Grieco called the meeting to order at 4:03 p.m.

**Members Present:** President Jennifer M. Grieco, President-Elect Dennis M. Barnes, Vice President Robert J. Buchanan, Secretary Dana M. Warnez, Treasurer James W. Heath, Representative Assembly Chair Richard L. Cunningham, Representative Assembly Vice-Chair Aaron V. Burrell, and Commissioners Syeda F. Davidson, Daniel D. Quick, and Erane C. Washington.

**Members Absent:** None

**State Bar Staff Present:** Janet Welch, Executive Director; Margaret Bossenbery, Executive Coordinator; Nancy Brown, Director of Member and Communication Services; Greg Conyers, Director of Diversity; Candace Crowley, Senior Consultant; Peter Cunningham, Assistant Executive Director and Director of Governmental Relations; Cliff Flood, General Counsel; Danon Goodrum-Garland, Director of Professional Standards; James Horsch, Director of Finance & Administration; Alicia Ruswinckel, Asst. Division Director-Professional Standards; Jeanette Socia, Director of Human Resources; and Anne Vrooman, Director of Research & Development.

**Approval of March 26, 2019 meeting minutes**

A motion was made and seconded to approve the March 26, 2019 Executive Committee meeting minutes. The motion passed.

**President's Report**

President Grieco reported that the Implicit Bias program will be on September 11 in Lansing from 10 to 3 p.m. Also, she reported that a meeting of the Strategic Planning Committee is scheduled for May 31, and on the future meetings of the Governance Task Force and consultant's activities on surveys and interviews.

**Representative Assembly Chair's Report**

Representative Assembly Chair Cunningham reported on the April RA meeting and the two issues that were passed by the assembly.

**Executive Director's Report**

Executive Director Welch reported that at the recommendation of Jennifer Bentley and Angela Tripp, the MSC has created a Justice for All Task Force chaired by Justice Zahra to review legal needs and access to justice issues. Ms. Welch and Ms. Hennessey will participate for SBM and will be attending the first task force meeting scheduled for next week. Ms. Welch also reported that she spoke at the National Legal Aid and Defenders Association in Kentucky.

**Interim Administrator Program**

Ms. Ruswinckel reviewed the request from the Receivership Workgroup to place a voluntary question on the FY 2019-2020 fee statement asking attorneys if they have an attorney designated to wind down their law practice if the attorney answering the question is no longer able to practice law.

A motion was made and seconded to have the question added. Based on feedback from the EC, the question will be further edited by staff. Also, Ms. Welch indicated the link to the IAP proposal approved by the RA will be added to the survey question. The motion passed.

### **2019 Holiday Closure**

Ms. Welch reviewed the proposal to forgo closing the offices on the Veterans Day holiday on November 11, but add an additional day of office closure on Dec. 23 during the holiday closure period occurring between Christmas Eve and New Year's Day. This is requested because of the way those holidays fall on the calendar this year. The change is intended for this year only. After discussion, a motion was made and seconded to approve this change. The motion passed.

### **Draft CloudLaw Amended Licensing Agreement**

Mr. Flood reviewed a proposed revised licensing agreement as an amendment to our current CloudLaw contract and the background for the negotiations. After a detailed discussion the committee agreed there were no "show stoppers" to prevent the current negotiations from continuing to a conclusion in the necessary timeframe.

### **Lawyer E-Mails Distribution for Election Purposes**

Mr. Flood reviewed the proposal and background of this issue. Mr. Richard Cunningham recused himself from the call as he is running for an elected position on the SBM ballot. A candidate for SBM elected office requested member e-mail addresses for sending promotional material. SBM staff suggested instead to provide an e-mail message from each BOC candidate, supplied by the candidate, to all members in the BOC district eligible to vote in June for the SBM BOC contested race. A motion was made and seconded to approve the proposal for discussion. After discussion of the pros and cons of various options, including the difficulties of reaching consensus so close to the election, the motion did not pass. Ms. Welch suggested a workgroup be formed to explore options for the next election cycle, and Ms. Grieco asked for volunteers.

### **Other**

Ms. Grieco reviewed the issues to be discussed at the June 14, 2019 BOC meeting, and Ms. Bossenbery reminded the EC of the next EC call on June 4, 2019.

### **Adjournment**

There being no further business for the Executive Committee, President Grieco adjourned the meeting at 5:37 p.m.

Submitted by James C. Horsch  
May 28, 2019

**President Jennifer M. Grieco  
President's Activities  
April 13 through June 15, 2019**

Date	Event	Location
April 16	Strategic Planning Committee conference call	Birmingham
April 18	Michigan Supreme Court Historical Society Annual Meeting	Detroit
April 22	Meeting with Judy Susskind & Dan Scully from ABOTA on Professionalism	Bloomfield Hills
April 25	Oakland County Bar Association Diversity Roundtable	Troy
April 25	Davis Dunning's Otis P. Smith Awards Banquet	Lansing
May 1	Litigation Section Bench Bar meeting	Detroit
May 3	Washtenaw County Bar Association Bench Bar	Ann Arbor
May 7	St. Joseph County Bar Association	St. Joseph
May 10	Tuscola County Bar Association	Caro
May 14	Executive Committee conference call	Birmingham
May 15	Access to Justice Campaign Fundraiser	Troy
May 16	Institute for Continuing Legal Education Probate Conference	Traverse City
May 20	Detroit Inns of Court	Detroit
May 21	Board of Commissioners Public Policy Conference call	Birmingham
May 22	Incorporated Society of Irish American Lawyers meeting	Detroit
May 23	Federal Bar Association Luncheon	Detroit
May 29	Collaboration meeting on School to Prison Pipeline	Birmingham
May 30	AXA Advisors Women's Empowerment Summit	Auburn Hills
May 30	Women's Bar Association of Oakland County Annual Meeting	Birmingham
May 31	Strategic Planning Committee conference call	Birmingham

Date	Event	Location
June 3	American Bar Association Commission on Homelessness and Poverty meeting	Detroit
June 3	Investiture of the Honorable Kristina Robinson	Detroit
June 3	Oakland County Bar Association Annual Meeting	Auburn Hills
June 6	Straker Bar Association Trail Blazer Awards	Detroit
June 7	Faces of Justice Program	Detroit
June 12	Negligence Law Section Earl Cline/Sherwin Schreier Award	Detroit
June 12	Negligence Council Past President's Dinner	Detroit
June 13 – 15	Bar Leadership Forum Upper Michigan Legal Institute Board of Commissioner meeting	Mackinac Island

**Executive Director Janet K. Welch**  
**Executive Director Activities**  
**April 13 through June 15, 2019**

Date	Event	Location
April 15	Michigan Supreme Court Historical Society Publications Committee conference call	Lansing
April 15	SBM Professionalism Work Group conference call	Lansing
April 15	Conference call with Reggie Turner and Bob Gillet	Lansing
April 15	Conference call with Jennifer Lewin, Deputy Director, Division for Bar Services, ABA	Lansing
April 16	SBM Strategic Planning Committee meeting	Lansing
April 16	Conference call with Lynette Healey, State of Washington	Lansing
April 17	Meeting with Robert P. Young Jr.	Okemos
April 18	Michigan Supreme Court Historical Society Annual Meeting	Detroit
April 22	Justice for All Planning committee conference call	Lansing
April 23	Affordable Legal Services Committee meeting	Lansing
April 24	Conference call with ABA Standing Committee on Bar Activities (SCOBAS)	Lansing
April 25	Receivership/IAP Committee meeting	Lansing
April 26	FY 2020 Key Budget Issues meeting with SBM SMT	Lansing
April 29	Conference call with Will Hornsby, Consultant for impending Task Force on the Ethics and Regulation of Legal Services Marketing	Lansing
April 30	Conference call about Equal Justice Conference presentation	Lansing
May 1	Conference call with Integrated Bar Executives – Post Fleck	Lansing
May 2	SBM All Staff meeting	Lansing
May 3	Conference call with AMC Consultant, Mark Engle, SBM Operations, Structure and Governance TF	Lansing
May 3 – 4	Women Lawyers of Michigan Annual Meeting	Traverse City
May 6	Capitol Club meeting	East Lansing

Date	Event	Location
May 7	Conference call with MI Supreme Court Historical Society Oral History committee	Lansing
May 7	CloudLaw conference call	Lansing
May 8	Conference call with MI Supreme Court Historical Society Breakfast Planning Committee	Lansing
May 8	CloudLaw conference call	Lansing
May 9 – 11	National Meeting of the State Access to Justice Commission Chairs ABA Standing Committee on Pro Bono and Public Service Equal Justice conference Panel on Fleck	Louisville, KY
May 13	Meeting with Justice Stephen Markman	Lansing
May 13	Conference call with Washington State Bar Association Interns	Lansing
May 13	Justice for All Steering Committee conference call	Lansing
May 14	Executive Committee conference call	Lansing
May 15	Access to Justice Campaign Reception	Troy
May 16	U.S. Courts Committee Dinner	Lansing
May 17	ICLE Probate Conference	Traverse City
May 18	Integrated Tech Committee meeting	Lansing
May 20	Justice for All Committee meeting	Lansing
May 21	Meeting with Elizabeth Bransdorfer	Lansing
May 21	Spring Pro Bono Workshop	Lansing
May 21	Great Rivers Bar Leaders Collaboration conference call	Lansing
May 21	Board of Commissioners Public Policy Conference call	Lansing
May 22	MI Supreme Court Administrative Hearing	Lansing
May 23	Meeting with Bob Aicher	Lansing
May 23	Conference call with President Elect Dennis Barnes	Lansing
May 23	Conference call with Virginia State Bar	Lansing

Date	Event	Location
May 23	Conference call with SBM Board Officers	Lansing
May 28	Conference call with SBM President, Jennifer Grieco	Lansing
May 29 – May 31	ABA National Conference on Professional Responsibility Panel on the “Future of the Unified Bar”	Vancouver, BC
May 31 – June 1	ABA National Forum on Client Protection Panel on “Age-Related Impairment and Transitioning into Retirement”	Vancouver, BC
May 31	SBM Strategic Planning Committee conference call	Vancouver, BC
June 1	Conference call with Mark Armitage Executive Director and General Counsel Attorney Discipline Board	Vancouver, BC
June 10	Conference call with Operations, Structure and Governance Task Force	Lansing
June 10	Public Policy Commissioner Committee conference call	Lansing
June 13 -15	Bar Leadership Forum Upper Michigan Legal Institute SBM Board of Commissioners meeting	Mackinac Island

# State Bar of Michigan Financial Results Summary

7 Months Ended April 30, 2019

Fiscal Year 2019

## Administrative Fund

### Summary of YTD April 30, 2019 Actual Results

For the seven months ended April 30, 2019, the State Bar had an Operating Loss of \$532,583 and Non-Operating Income of \$503,158, for a decrease in Net Position of \$29,425 so far in FY 2019. Net Position as of April 30, 2019 totaled \$12,771,346. Net Position excluding the impacts of the Retiree Health Care Trust net of the GASB 75 liability totaled \$10,898,798.

### YTD Variance from Budget Summary:

YTD Operating Revenue - \$5,226 unfavorable to YTD budget, or 0.1%

YTD Operating Expense - \$313,712 favorable to YTD budget, or 4.9%

YTD Non-Operating Income - \$396,122 favorable to YTD budget, or 370.1%

YTD Change in Net Position - \$704,608 favorable to YTD budget

### YTD Key Budget Variances:

#### **YTD Operating Revenue variance - \$5,226 unfavorable to budget:**

- Operating revenue was favorable to budget by \$10,000 for a Diversity program grant that was not budgeted, and Dues and Related net of Pro Hac Vice fees and Other by \$8,803; partially offset by unfavorable variances of Member & Communication Services by \$19,488 (primarily Annual Meeting, Bar Journal and Directory, and Print Center, partially offset by LRS), or 3.9%, and Professional Standards (primarily LJAP) of \$4,541, or 1.7%.

#### **YTD Operating Expense variance - \$313,712 favorable to budget:**

- Salaries and Employee Benefits/ Payroll Taxes - \$144,251 favorable - (3.5%)
  - Underage in salaries and benefits due to vacancies, lower health care expenses, and no longer expensing retiree health care trust contributions.
- Non-Labor Operating Expenses - \$169,461 favorable - (7.2%)
  - Exec Offices - \$24,224 favorable - (5.6%) - Primarily Executive Office, Outreach and Justice Initiatives, partially offset by HR (temp staff) - some timing.
  - Finance & Admin - \$21,753 favorable - (2.5%) - Under in Facilities Services and partially offset in Financial Services due to credit card fees - some timing.
  - Member & Communication Services - \$92,808 favorable - (9.7%) - Primarily Internet, Bar Journal, Member & Endorsed Services and e-Journal; and to a lesser extent some other departments; partially offset by IT - some timing.

- Professional Standards - \$30,676 favorable - (34.3%) - Primarily C&F; and to a lesser extent Ethics, and other departments - some timing.

### **YTD Non-Operating Revenue Budget Variance - \$396,122 favorable to budget**

- Investment income is favorable to budget by \$57,045, or 53.3%, due to higher interest rates and more favorable cash management opportunities than planned. Retiree Health Care Trust investment income is favorable to budget by \$339,077 due to investment gains, as no income or loss was budgeted for this item.

### **Cash and Investment Balance – Admin Fund**

As of April 30, 2019, the cash and investment balance in the State Bar Admin Fund (net of “*due to Sections, Client Protection Fund, and Retiree Health Care Trust*”) was \$10,381,920.

### **SBM Retiree Health Care Trust**

As of April 30, 2019, the SBM Retiree Health Care Trust had a fund balance of \$3,403,446, which is an increase of \$372,520 so far in FY 2019, due to investment income of \$339,077 and contributions to the trust.

### **Capital Budget – Admin Fund**

Through April 30, 2019, YTD capital expenditures totaled \$99,900 which is over the YTD capital budget by \$34,900 due to higher capital spending on the e-commerce site that was not anticipated in the budget, expected to be offset by lower expenditures on other projects.

### **Administrative Fund FY 2019 Year-End Financial Forecast**

We are projecting to do better than the FY 2019 budget by over \$420,000, not including the investment impacts of the retiree health care trust now consolidated within the Administrative Fund and not included in the 2019 budget. This is primarily due to the changes to the Annual Meeting, lower health care, better investment income, and lower operational expenses. An updated forecast will be provided at the June BOC meeting.

### **Client Protection Fund**

The Net Position of the Client Protection Fund as of April 30, 2019 totaled \$1,880,996, a decrease of \$28,758 so far in FY 2019. Claims payments so far this year totaled \$331,805 and there are an additional \$185,910 in approved claims awaiting subrogation agreements.

### **SBM Membership**

As of April 30, 2019, the total active, inactive and emeritus membership in good standing totaled 45,831 attorney members, for a net increase of 116 members so far in FY 2019. Active members totaled 42,267, a decrease of 75 this fiscal year, and dues paying members (active and inactive less than 50 years of service) totaled 41,893, a decrease of 222 this fiscal year. A total of 639 new members have joined the SBM so far during FY 2019.

**STATE BAR OF MICHIGAN  
ADMINISTRATIVE FUND**

**Unaudited and For Internal Use Only**

**FINANCIAL REPORTS  
April 30, 2019**

**FY 2019**

Note: Dues revenue is recognized and budgeted as earned each month throughout the year.

State Bar of Michigan  
Administrative Fund  
**Statement of Net Position**  
For the Months Ending March 31, 2019 and April 30, 2019

	March 31, 2019	April 30, 2019	Increase (Decrease)	%	Beginning of FY 2019 October 1, 2018
<b>ASSETS AND DEFERRED OUTFLOWS</b>					
Assets					
Cash	3,842,180	4,649,706	807,526	21.0%	871,888
Investments (CDARS and CD's)	10,193,528	8,753,528	(1,440,000)	(14.1%)	9,213,528
Accounts Receivable	222,983	184,091	(38,893)	(17.4%)	229,144
Due from (to) CPF	(150,850)	(135,143)	15,707	10.4%	15,354
Due from (to) Sections	(2,945,083)	(2,886,171)	58,912	2.0%	(2,256,271)
Due from Attorney Discipline System	0	0	0	N/A	344,632
Inventory	25,928	51,566	25,637	98.9%	23,412
Prepaid Expenses	275,848	278,212	2,364	0.9%	400,408
Retiree Health Care Trust Investment	3,307,672	3,403,446	95,774	2.9%	3,030,926
Capital Assets, net	3,825,865	3,796,174	(29,692)	(0.8%)	4,008,941
<b>Total Assets</b>	<b>\$18,598,072</b>	<b>\$18,095,408</b>	<b>(\$502,664)</b>	<b>(2.7%)</b>	<b>\$15,881,962</b>
Deferred Outflows of Resources related to pensions	38,024	38,024	0	0.0%	38,024
Deferred Outflows of Resources related to OPEB	139,752	139,752	0	0.0%	139,752
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$18,775,848</b>	<b>\$18,273,184</b>	<b>(\$502,664)</b>	<b>(2.7%)</b>	<b>\$16,059,738</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>					
Liabilities					
Accounts Payable	209	303	94	45.2%	566,297
Accrued Expenses	429,793	438,447	8,654	2.0%	483,538
Unearned Revenue	3,710,584	3,112,902	(597,682)	(16.1%)	258,946
Net Pension Liability	263,680	263,680	0	0.0%	263,680
Net OPEB Liability	1,634,710	1,634,710	0	0.0%	1,634,710
<b>Total Liabilities</b>	<b>\$6,038,976</b>	<b>\$5,450,042</b>	<b>(\$588,934)</b>	<b>(9.8%)</b>	<b>\$3,207,171</b>
Deferred Inflows of Resources related to pensions	15,856	15,856	0	0.0%	15,856
Deferred Inflows of Resources related to OPEB	35,940	35,940	0	0.0%	35,940
<b>Total Liabilities and Deferred Inflows</b>	<b>\$6,090,772</b>	<b>\$5,501,838</b>	<b>(\$588,934)</b>	<b>(9.7%)</b>	<b>\$3,258,967</b>
Net Position					
Invested in capital assets, net of related debt	3,825,865	3,796,174	(29,692)	(0.8%)	4,008,941
Invested in retiree health care, net of related liability	1,776,774	1,872,548	95,774	5.4%	1,500,028
Unrestricted	7,082,437	7,102,624	20,187	0.3%	8,791,830
<b>Total Net Position</b>	<b>\$12,685,076</b>	<b>\$12,771,346</b>	<b>86,269</b>	<b>0.7%</b>	<b>\$12,800,771</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$18,775,848</b>	<b>\$18,273,184</b>	<b>(\$502,664)</b>	<b>(2.7%)</b>	<b>\$16,059,738</b>

NOTE: Cash and investments actually available to the State Bar Administrative Fund, after deduction of the "Due to Sections" and "Due to CPF" and not including the "Retiree Health Care Trust" is \$10,381,920 (See below):

	March 31, 2019	April 30, 2019	Increase (Decrease)	%	Beginning of FY 2019 October 1, 2018
<b>CASH AND INVESTMENT BALANCES</b>					
Cash	3,842,180	4,649,706	807,526	21.0%	871,888
Investments	10,193,528	8,753,528	(1,440,000)	(14.1%)	9,213,528
<b>Total Available Cash and Investments</b>	<b>\$14,035,708</b>	<b>\$13,403,234</b>	<b>(632,474)</b>	<b>(4.5%)</b>	<b>\$10,085,416</b>
Less:					
Due to Sections	2,945,083	2,886,171	(58,912)	(2.0%)	2,256,271
Due to CPF	150,850	135,143	(15,707)	(10.4%)	(15,354)
<b>Due to Sections and CPF</b>	<b>\$3,095,933</b>	<b>\$3,021,314</b>	<b>(74,619)</b>	<b>(2.4%)</b>	<b>2,240,917</b>
<b>Net Administrative Fund Cash and Investment Balance</b> (Not including Retiree Health Care Trust)	<b>\$10,939,775</b>	<b>\$10,381,920</b>	<b>(\$557,855)</b>	<b>(5.1%)</b>	<b>\$7,844,499</b>

State Bar of Michigan  
Statement of Revenue, Expense, and Net Assets  
For the seven months ending April 30, 2019  
**YTD FY 2019 Revenue**

<b>Revenue</b>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>	<u>Percentage</u>
<b>Executive Offices</b>				
Diversity Grant	10,000	0	10,000	N/A
<b>Finance &amp; Administration</b>				
License Fees, Dues & Related	4,598,988	4,607,308	(8,320)	(0.2%)
Investment Income - SBM Operations	164,081	107,036	57,045	53.3%
Investment Income - Ret HC Trust	339,077	0	339,077	N/A
Other Revenue	251,917	234,794	17,123	7.3%
<b>Finance &amp; Administration Total</b>	<u>5,354,063</u>	<u>4,949,138</u>	<u>404,925</u>	<u>8.2%</u>
<b>Member &amp; Communication Services</b>				
Bar Journal Directory	38,395	46,800	(8,405)	(18.0%)
Bar Journal 11 issues	106,084	112,829	(6,745)	(6.0%)
Print Center	40,162	47,858	(7,696)	(16.1%)
e-Journal and Internet	48,487	47,417	1,070	2.3%
BCBSM Insurance Program	58,334	58,333	1	0.0%
Credit Card Program	0	0	0	N/A
Annual Meeting	0	10,500	(10,500)	(100.0%)
Labels	1,664	1,750	(86)	(4.9%)
Upper Michigan Legal Institute	8,756	8,100	656	8.1%
Bar Leadership Forum	7,477	6,200	1,277	20.6%
Practice Management Resource Center	20	642	(622)	(96.9%)
Lawyer Referral Service (LRS)	93,486	84,833	8,653	10.2%
Other Member & Endorsed Revenue	73,173	70,264	2,909	4.1%
<b>Member &amp; Communication Services Total</b>	<u>476,038</u>	<u>495,526</u>	<u>(19,488)</u>	<u>(3.9%)</u>
<b>Professional Standards</b>				
Ethics	7,050	7,000	50	0.7%
Character & Fitness	237,105	237,413	(308)	(0.1%)
Lawyers and Judges Assistance Program	24,884	29,167	(4,283)	(14.7%)
<b>Professional Standards Total</b>	<u>269,039</u>	<u>273,580</u>	<u>(4,541)</u>	<u>(1.7%)</u>
<b>Total Revenue</b>	<b>6,109,140</b>	<b>5,718,244</b>	<b>390,896</b>	<b>6.8%</b>
<b>Less: Investment Income</b>	164,081	107,036	57,045	53.3%
Investment Income - Ret HC Trust	339,077	0	339,077	N/A
<b>Total Operating Revenue</b>	<b>5,605,982</b>	<b>5,611,208</b>	<b>(5,226)</b>	<b>(0.1%)</b>

State Bar of Michigan  
Statement of Revenue, Expense and Net Assets  
For the seven months ending April 30, 2019  
**YTD FY 2019 Expenses**

Expenses	YTD Actual	YTD Budget	Variance	Percentage
<b>Executive Offices</b>				
Executive Office	39,027	47,821	(8,794)	(18.4%)
Representative Assembly	17,390	17,758	(368)	(2.1%)
Board of Commissioners	45,681	45,317	364	0.8%
General Counsel	14,809	17,110	(2,301)	(13.4%)
Governmental Relations	36,961	39,302	(2,341)	(6.0%)
Human Resources (incl. empl benefits)	1,098,892	1,200,564	(101,672)	(8.5%)
Outreach, Local Bar & Section Support	104,604	113,600	(8,996)	(7.9%)
Research and Development	6,587	10,550	(3,963)	(37.6%)
Justice Initiatives	79,726	88,267	(8,541)	(9.7%)
Diversity	25,294	24,108	1,186	4.9%
Salaries	872,081	879,640	(7,559)	(0.9%)
<b>Executive Offices Total</b>	<b>2,341,052</b>	<b>2,484,037</b>	<b>(142,985)</b>	<b>(5.8%)</b>
<b>Finance &amp; Administration</b>				
Administration	20,106	23,318	(3,212)	(13.8%)
Facilities Services	217,124	253,033	(35,909)	(14.2%)
Financial Services	614,722	597,354	17,368	2.9%
Salaries	258,337	272,550	(14,213)	(5.2%)
<b>Finance &amp; Administration Total</b>	<b>1,110,289</b>	<b>1,146,255</b>	<b>(35,966)</b>	<b>(3.1%)</b>
<b>Member &amp; Communication Services</b>				
Bar Journal Directory	23,854	24,700	(846)	(3.4%)
Bar Journal 11 Issues	273,349	302,704	(29,355)	(9.7%)
Print Center	35,486	41,919	(6,433)	(15.3%)
Internet Department	56,340	88,225	(31,885)	(36.1%)
e-Journal	22,250	30,596	(8,346)	(27.3%)
Media Relations	37,971	42,458	(4,487)	(10.6%)
Member & Endorsed Services	76,434	92,233	(15,799)	(17.1%)
Annual Meeting	8,895	9,000	(105)	(1.2%)
Bar Leadership Forum	535	600	(65)	(10.8%)
Practice Mgt Resource Center (PMRC)	2,228	3,771	(1,543)	(40.9%)
UMLI	4,249	4,700	(451)	(9.6%)
Lawyer Referral Service (LRS)	4,855	10,125	(5,270)	(52.0%)
Information Technology Services	317,219	305,442	11,777	3.9%
Salaries	1,153,153	1,165,387	(12,234)	(1.0%)
<b>Member &amp; Communication Services Total</b>	<b>2,016,818</b>	<b>2,121,860</b>	<b>(105,042)</b>	<b>(5.0%)</b>
<b>Professional Standards</b>				
Character & Fitness (C&F)	19,427	40,644	(21,217)	(52.2%)
Client Protection Fund Dept	5,101	6,512	(1,411)	(21.7%)
Ethics	15,039	19,558	(4,519)	(23.1%)
Unauthorized Practice of Law (UPL)	11,316	13,175	(1,859)	(14.1%)
Lawyer & Judges Assistance Program	7,818	9,488	(1,670)	(17.6%)
Salaries	611,705	610,748	957	0.2%
<b>Professional Standards Total</b>	<b>670,406</b>	<b>700,125</b>	<b>(29,719)</b>	<b>(4.2%)</b>
<b>Total Expense</b>	<b>6,138,565</b>	<b>6,452,277</b>	<b>(313,712)</b>	<b>(4.9%)</b>
<b>Human Resources Detail</b>				
Payroll Taxes	213,166	223,307	(10,141)	(4.5%)
Benefits	844,279	945,340	(101,061)	(10.7%)
Other Expenses	41,447	31,917	9,530	29.9%
<b>Total Human Resources</b>	<b>1,098,892</b>	<b>1,200,564</b>	<b>(101,672)</b>	<b>(8.5%)</b>
<b>Financial Services Detail</b>				
Depreciation	312,667	312,667	0	0.0%
Other Expenses	302,056	284,688	17,368	6.1%
<b>Total Financial Services</b>	<b>614,723</b>	<b>597,355</b>	<b>17,368</b>	<b>2.9%</b>
<b>Salaries</b>				
Executive Offices	872,081	879,640	(7,559)	(0.9%)
Finance & Administration	258,337	272,550	(14,213)	(5.2%)
Member Services & Communications	1,153,153	1,165,387	(12,234)	(1.0%)
Professional Standards	611,705	610,748	957	0.2%
<b>Total Salaries Expense</b>	<b>2,895,276</b>	<b>2,928,325</b>	<b>(33,049)</b>	<b>(1.1%)</b>
<b>NonLabor Summary</b>				
Executive Offices	411,526	435,750	(24,224)	(5.6%)
Finance & Administration	851,952	873,705	(21,753)	(2.5%)
Member Services & Communications	863,665	956,473	(92,808)	(9.7%)
Professional Standards	58,701	89,377	(30,676)	(34.3%)
<b>Total NonLabor Expense</b>	<b>2,185,844</b>	<b>2,355,305</b>	<b>(169,461)</b>	<b>(7.2%)</b>

State Bar of Michigan  
Statement of Revenue, Expense and Net Assets  
For the seven months ending April 30, 2019  
**YTD FY 2019 Increase (Decrease) in Net Position Summary**

	Actual YTD	Budget YTD	Variance	Percentage	Last Year Actual YTD
Operating Revenue					
- License Fees, Dues & Related	4,598,988	4,607,308	(8,320)	(0.2%)	4,616,165
- All Other Op Revenue	1,006,994	1,003,900	3,094	0.3%	972,915
Total Operating Revenue	<u>5,605,982</u>	<u>5,611,208</u>	<u>(5,226)</u>	<u>(0.1%)</u>	<u>5,589,080</u>
Operating Expenses					
- Labor-related Operating Expenses					
Salaries	2,895,276	2,928,325	(33,049)	(1.1%)	2,768,102
Benefits and PR Taxes	1,057,445	1,168,647	(111,202)	(9.5%)	1,096,572
Total Labor-related Operating Expenses	<u>3,952,721</u>	<u>4,096,972</u>	<u>(144,251)</u>	<u>(3.5%)</u>	<u>3,864,674</u>
- Non-labor Operating Expenses					
Executive Offices	411,526	435,750	(24,224)	(5.6%)	420,297
Finance & Administration	851,952	873,705	(21,753)	(2.5%)	784,485
Member & Communication Services	863,665	956,473	(92,808)	(9.7%)	796,976
Professional Standards	58,701	89,377	(30,676)	(34.3%)	65,005
Total Non-labor Operating Expenses	<u>2,185,844</u>	<u>2,355,305</u>	<u>(169,461)</u>	<u>(7.2%)</u>	<u>2,066,763</u>
Total Operating Expenses	<u>6,138,565</u>	<u>6,452,277</u>	<u>(313,712)</u>	<u>(4.9%)</u>	<u>5,931,437</u>
Operating Income (Loss)	<u>(532,583)</u>	<u>(841,069)</u>	308,486	N/A	<u>(342,357)</u>
Nonoperating Revenue (Expenses)					
Investment Income	164,081	107,036	57,045	53.3%	102,725
Investment Income - Ret HC Trust	339,077	0	339,077	N/A	0
Net Nonoperating revenue (expenses)	<u>503,158</u>	<u>107,036</u>	<u>396,122</u>	<u>370.1%</u>	<u>102,725</u>
<b>Increase (Decrease) in Net Position</b>	<b><u>(29,425)</u></b>	<b><u>(734,033)</u></b>	<b><u>704,608</u></b>	<b><u>N/A</u></b>	<b><u>(239,632)</u></b>
Net Position - Beginning the Year	<u>12,800,771</u>	<u>12,800,771</u>	<u>0</u>	<u>0.0%</u>	<u>12,277,875</u>
<b>Net Position - Year-to-Date</b>	<b><u>\$12,771,346</u></b>	<b><u>\$12,066,738</u></b>	<b><u>\$704,608</u></b>	<b><u>5.8%</u></b>	<b><u>\$12,038,243</u></b>

State Bar of Michigan Administrative Fund  
Revenues, Expenses and Net Assets  
**FY 2019 - Year-End Forecast**

Updated May 12, 2019 - Forecast will be updated with additional information for the June BOC meeting

	FY 2019 Year-End Forecast	FY 2019 Budget	Variance	Percentage	FY 2018 Actual
<b>Operating Revenue</b>					
- License Fees, Dues & Related	7,738,000	7,743,000	(5,000)	(0.1%)	7,732,039
- All Other Op Revenue	1,497,397	1,598,397	(101,000)	(6.3%)	1,632,613
<b>Total Operating Revenue</b>	<b>9,235,397</b>	<b>9,341,397</b>	<b>(106,000)</b>	<b>(1.1%)</b>	<b>9,364,652</b>
<b>Operating Expenses</b>					
- Labor-related Operating Expenses					
Salaries	5,102,392	5,140,392	(38,000)	(0.7%)	4,819,766
Benefits, PR Taxes, and Ret HC Exp	1,774,056	1,924,056	(150,000)	(7.8%)	1,775,841
<b>Total Labor-related Operating Expenses</b>	<b>6,876,448</b>	<b>7,064,448</b>	<b>(188,000)</b>	<b>(2.7%)</b>	<b>6,595,607</b>
- Non-labor Operating Expenses					
Executive Offices	792,850	802,850	(10,000)	(0.8%)	723,555
Finance & Administration	1,338,125	1,333,125	5,000	0.6%	1,179,734
Member & Communication Services	1,583,125	1,848,625	(265,500)	(14.4%)	1,608,750
Professional Standards	151,335	164,335	(13,000)	(7.9%)	145,435
<b>Total Non-labor Operating Expenses</b>	<b>3,865,435</b>	<b>4,148,935</b>	<b>(283,500)</b>	<b>(6.8%)</b>	<b>3,657,474</b>
<b>Total Operating Expenses</b>	<b>10,741,883</b>	<b>11,213,383</b>	<b>(471,500)</b>	<b>(4.2%)</b>	<b>10,253,081</b>
<b>Operating Income (Loss)</b>	<b>(1,506,486)</b>	<b>(1,871,986)</b>	<b>365,500</b>	N/A	<b>(888,429)</b>
<b>Nonoperating Revenue (Expenses)</b>					
Investment Income	230,000	175,000	55,000	31.4%	179,640
Investment Income - Ret HC Trust	0	0	0	N/A	202,417
Loss on Disposal of Capital Assets	0	0	0	N/A	(34,963)
<b>Net Nonoperating Revenue (Expenses)</b>	<b>230,000</b>	<b>175,000</b>	<b>55,000</b>	<b>31.4%</b>	<b>347,094</b>
<b>Increase (Decrease) in Net Position</b>	<b>(1,276,486)</b>	<b>(1,696,986)</b>	<b>420,500</b>	N/A	<b>(541,335)</b>

**Operating Revenue forecast**

- Under in late fees/reinstatement fees
- Under primarily in Annual Meeting (\$93k), Member and Endorsed Svcs (\$11k), Print Center (\$9k) and other, net of higher Pro Hac Vice fees (\$18k)

**Labor forecast:**

- Salaries - vacancies and sick leave
- Benefits - under in health care (\$80k), other benefits/payroll taxes (\$26k), and (\$40k) retiree health care due to accounting change

**Nonlabor forecast:**

- Executive Offices - under in diversity reception (\$8k) and HR exp (\$2k)
- Finance & Administration - over due to higher credit card fees (\$25k) net of lower facilities expenses (\$20k)
- Member Services & Communications - under in Annual Meeting (\$167k), Bar Journal paper and postage (\$31k), website expense (\$26k)
- Member & End Svcs (\$25k), LRS expense (\$15k), eJournal (\$7k), Media Relations (\$5k), PMRC (\$4k), partially offset by higher IT (\$13k)
- Professional Standards - under due to C&F investigation expense

**Non-Operating Income forecast:**

- Investment Income - will be better than budget due to higher interest rates than planned

**Other forecast issues not reflected in the forecast:**

- Potential additional savings in other operating expenses not reflected

State Bar of Michigan  
Administrative Fund  
FY 2019 Capital Expenditures vs Budget  
For the seven months ending April 30, 2019

	YTD Actual	YTD Budget	YTD Variance	Variance Explanations	Total Approved FY 2019 Budget	FY 2019 Year-End Forecast	Projected Year-end Variance
<b><u>Building and Equipment</u></b>							
Electrical panel upgrade	0	0	0		35,000	35,000	0
Replacement of carpet (2nd, 3rd, 4th)	0	0	0	Will be deferred and used toward additional elevator upgrades	65,000	0	(65,000)
Elevator upgrade	0	0	0		50,000	115,000	65,000
Replacement of floor copiers	0	0	0		35,000	35,000	0
Meeting room technology upgrades	0	0	0		25,000	25,000	0
<b><u>Information Technology</u></b>							
e-commerce dues updates	35,000	0	35,000	Unplanned work on e-commerce site (if further work is done, will need to cut back resources on other projects)	0	50,000	50,000
Windows server OS 2016	0	0	0		22,000	22,000	0
Update/redesign Pro Hac Vice site ph 3	7,500	7,500	0		10,000	10,000	0
Web services tool for courts	0	0	0	No longer needed	10,000	0	(10,000)
C&F Board of Law Examiners portal	25,500	25,500	0		45,000	45,000	0
Firm administration application	0	0	0	Will be deferred	10,000	0	(10,000)
e-service application for court e-filing (e-mail addresses)	0	0	0	Janet is communicating with Court to confirm need	20,000	20,000	0
Firm billing/invoices for dues	0	0	0	Will be deferred	10,000	0	(10,000)
Lawyer referral consumer portal	21,950	22,000	(50)		45,000	45,000	0
Application for soliciting volunteers for committees & work groups phase 2	9,950	10,000	(50)		10,000	10,000	0
Client Protection Fund portal	0	0	0	Will be deferred	20,000	0	(20,000)
<b>Total</b>	<b><u>\$99,900</u></b>	<b><u>\$65,000</u></b>	<b><u>\$34,900</u></b>		<b><u>\$412,000</u></b>	<b><u>\$412,000</u></b>	<b><u>\$0</u></b>

Note: Expect to be under on other projects to offset the identified overage on the e-commerce site

**STATE BAR OF MICHIGAN  
CLIENT PROTECTION FUND**

**Unaudited and For Internal Use Only**

**FINANCIAL REPORTS  
April 30, 2019**

**FY 2019**

Note: Dues revenue is recognized and budgeted as earned each month throughout the year.

State Bar of Michigan  
Client Protection Fund  
Comparative Statement of Net Assets  
For the Months Ending March 31, 2019 and April 30, 2019  
FY 2019

	March 31, 2019	April 30, 2019	Increase (Decrease)	%	Beginning of FY 2019 October 1, 2018
<b>Assets</b>					
Cash	373,839	377,719	3,880	1.0%	288,570
Investments (CD's & CDARS)	1,561,092	1,561,092	0	0.0%	1,556,307
Accounts Receivable (Recoveries)	163,784	162,403	(1,381)	(0.8%)	175,001
Due from (to) Administrative Fund	150,850	135,143	(15,707)	(10.4%)	(15,354)
Accrued Interest Receivable	12,789	14,599	1,810	14.2%	9,610
<b>Total Assets</b>	<b>\$ 2,262,354</b>	<b>\$ 2,250,956</b>	<b>\$ (11,398)</b>	<b>(0.5%)</b>	<b>\$ 2,014,134</b>
<b>Liabilities</b>					
Accounts Payable	0	0	0	N/A	0
Unearned Revenue	322,643	269,960	(52,683)	(16.3%)	4,380
<b>Total Liabilities</b>	<b>\$ 322,643</b>	<b>\$ 269,960</b>	<b>(\$52,683)</b>	<b>(16.3%)</b>	<b>\$ 4,380</b>
<b>Net Position</b>					
Net Position at Beginning of Year	2,009,754	2,009,754	0	0.0%	2,009,754
Increase (Decrease) in Net Position	(70,044)	(28,758)	41,286	N/A	0
<b>Total Net Position</b>	<b>1,939,710</b>	<b>1,980,996</b>	<b>41,286</b>	<b>2.1%</b>	<b>2,009,754</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,262,353</b>	<b>\$ 2,250,956</b>	<b>\$ (11,397)</b>	<b>(0.5%)</b>	<b>\$ 2,014,134</b>

\* Note: In addition, there are authorized but unpaid claims totaling \$185,910 awaiting signatures of subrogation agreements.

State Bar of Michigan  
Client Protection Fund  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the seven months ending April 30, 2019  
FY 2019

	FY 2019 YTD	Last Year FY 2018 YTD
Revenue		
Contributions Received	25,235	17,191
Member Fee Assessment	375,445	376,467
Pro Hac Vice Fees	8,085	6,690
Claims Recovery	3,525	19,264
Miscellaneous Income	0	0
Total Revenue	<u>412,290</u>	<u>419,612</u>
Expense		
Claims Payments *(See note below)	331,805	487,032
Administrative Fee	123,667	116,865
Litigation and Miscellaneous Expense	0	0
Total Expense	<u>455,472</u>	<u>603,897</u>
Operating Income (Loss)	<b>(43,182)</b>	<b>(184,285)</b>
Investment Income	14,424	9,061
<b>Increase (Decrease) in Net Position</b>	<b><u>(28,758)</u></b>	<b><u>(175,224)</u></b>
<b>Net Position</b> - Beginning of the Year	<u>2,009,754</u>	
<b>Net Position</b> - End of the Period	<u><u>1,980,996</u></u>	

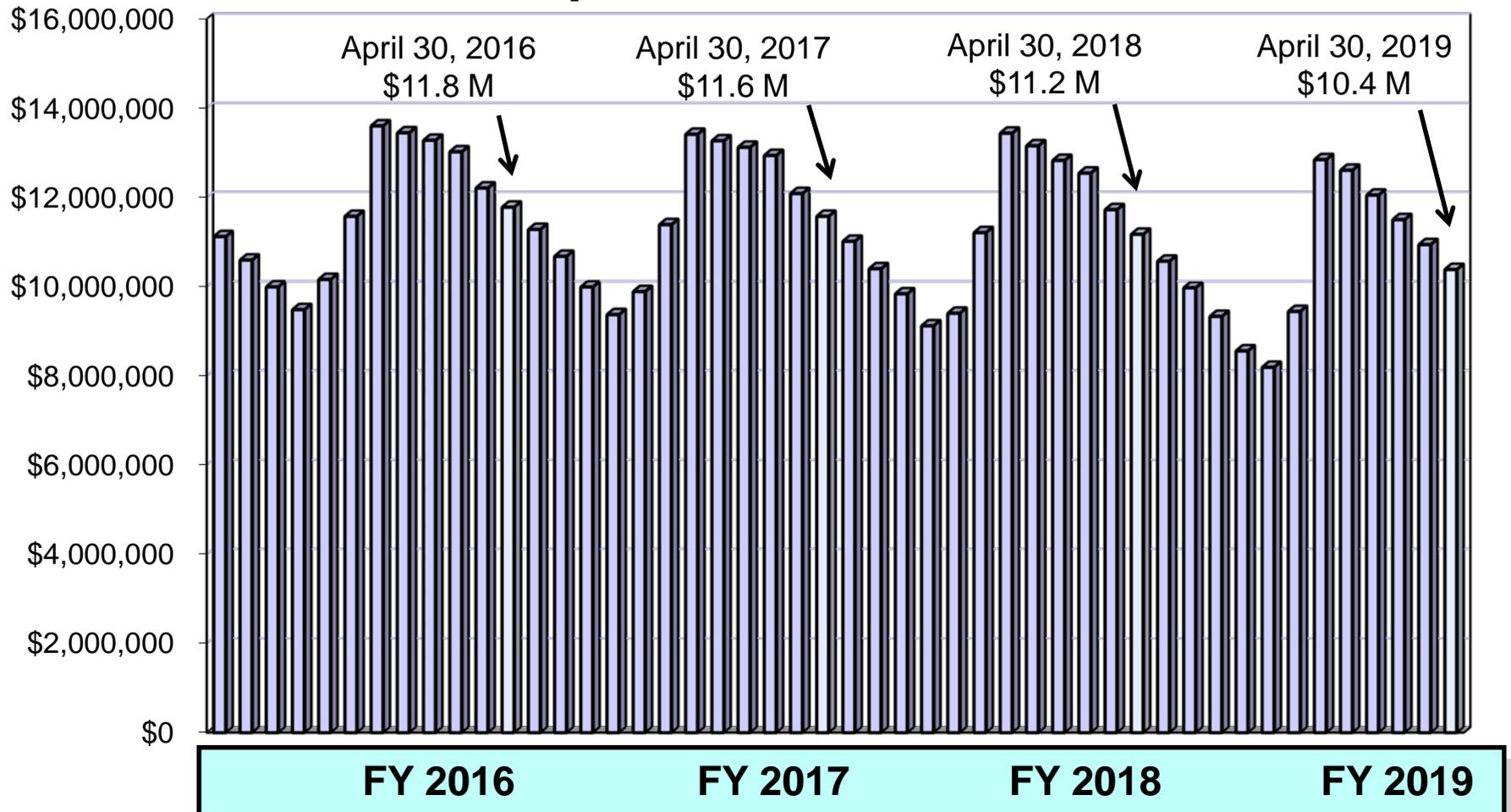
\* Note: In addition, there are authorized but unpaid claims totaling \$185,910 awaiting signatures of subrogation agreements.

## SBM Cash & Investment Balances

# SBM Cash & Investment Balances

*Excluding Sections, Client Protection Fund & Retiree Health Care Trust*

**April 30, 2019 - \$10.4 M**



Note: The State Bar has no bank debt outstanding.



**Monthly SBM Member Report - April 30, 2019**

**FY 2019**

							Current Fiscal Year	
	September 30 2013	September 30 2014	September 30 2015	September 30 2016	September 30 2017	September 30 2018	April 30 2019	FY Increase (Decrease)
<b><u>Attorney Members and Affiliates In Good Standing</u></b>								
Active	40,475	41,093	41,608	41,921	42,100	42,342	42,267	(75)
Less than 50 yrs serv	39,335	40,036	40,490	40,725	40,833	40,973	40,789	(184)
50 yrs or greater	1,140	1,057	1,118	1,196	1,267	1,369	1,478	109
Voluntary Inactive	1,263	1,211	1,218	1,250	1,243	1,169	1,138	(31)
Less than 50 yrs serv	1,231	1,184	1,195	1,230	1,217	1,142	1,104	(38)
50 yrs or greater	32	27	23	20	26	27	34	7
Emeritus	1,391	1,552	1,678	1,841	1,973	2,204	2,426	222
<b>Total Attorneys in Good Standing</b>	<b>43,129</b>	<b>43,856</b>	<b>44,504</b>	<b>45,012</b>	<b>45,316</b>	<b>45,715</b>	<b>45,831</b>	<b>116</b>
<b>Dues Paying Members (Active &amp; Inactive less than 50 yrs of Serv)</b>	<b>40,566</b>	<b>41,220</b>	<b>41,685</b>	<b>41,955</b>	<b>42,050</b>	<b>42,115</b>	<b>41,893</b>	<b>(222)</b>
<b>Affiliates</b>								
Legal Administrators	19	14	13	13	13	10	11	1
Legal Assistants	433	413	425	405	400	401	430	29
<b>Total Affiliates in Good Standing</b>	<b>452</b>	<b>427</b>	<b>438</b>	<b>418</b>	<b>413</b>	<b>411</b>	<b>441</b>	<b>30</b>

**Total Attorney Members and Former Members in the Database**

State Bar of Michigan Member Type							Current Fiscal Year	
	September 30 2013	September 30 2014	September 30 2015	September 30 2016	September 30 2017	Sept 30 2018	April 30 2019	FY Increase (Decrease)
<b><u>Attorney Members in Good Standing:</u></b>								
ATA (Active)	40,475	41,093	41,608	41,921	42,100	42,342	42,267	(75)
ATVI (Voluntary Inactive)	1,263	1,211	1,218	1,250	1,243	1,169	1,138	(31)
ATE (Emeritus)	1,391	1,552	1,678	1,841	1,973	2,204	2,426	222
<b>Total Members in Good Standing</b>	<b>43,129</b>	<b>43,856</b>	<b>44,504</b>	<b>45,012</b>	<b>45,316</b>	<b>45,715</b>	<b>45,831</b>	<b>116</b>
<b><u>Attorney Members Not in Good Standing:</u></b>								
ATN (Suspended for Non-Payment of Dues)	5,248	5,427	5,578	5,743	5,888	6,072	6,322	250
ATDS (Discipline Suspension - Active)	400	407	415	418	430	439	438	(1)
ATDI (Discipline Suspension - Inactive)	10	12	11	18	19	19	22	3
ATDC (Discipline Suspension - Non-Payment of Court Costs)	1	1	3	3	16	15	17	2
ATNS (Discipline Suspension - Non-Payment of Other Costs)	76	83	92	99	94	95	97	2
ATS (Attorney Suspension - Other)*	1	1	1	1	0	1	1	0
ATR (Revoked)	519	521	517	534	562	583	589	6
ATU (Status Unknown - Last known status was inactive)**	2,174	2,088	2,076	2,074	2,070	2,070	2,070	0
<b>Total Members Not in Good Standing</b>	<b>8,429</b>	<b>8,540</b>	<b>8,693</b>	<b>8,890</b>	<b>9,079</b>	<b>9,294</b>	<b>9,556</b>	<b>262</b>
<b><u>Other:</u></b>								
ATSC (Former special certificate)	134	136	140	145	152	155	158	3
ATW (Resigned)	1,354	1,429	1,483	1,539	1,612	1,689	1,778	89
ATX (Deceased)	7,797	8,127	8,445	8,720	9,042	9,287	9,456	169
<b>Total Other</b>	<b>9,285</b>	<b>9,692</b>	<b>10,068</b>	<b>10,404</b>	<b>10,806</b>	<b>11,131</b>	<b>11,392</b>	<b>261</b>
<b>Total Attorney Members in Database</b>	<b>60,843</b>	<b>62,088</b>	<b>63,265</b>	<b>64,306</b>	<b>65,201</b>	<b>66,140</b>	<b>66,779</b>	<b>639</b>

\* ATS is a new status added effective August 2012 - suspended by a court, administrative agency, or similar authority

\*\* ATU is a new status added in 2010 to account for approximately 2,600 members who were found not to be accounted for in the iMIS database. The last known status was inactive and many are likely deceased. We are researching these members to determine a final disposition.

N/R - not reported

Notes: Through April 30, 2019, a total of 639 new members joined the SBM in FY 2019  
A total of 438 Active and 55 Inactive members were suspended in February for non-payment of dues



# Memorandum

**To:** SBM Board of Commissioners  
**From:** Darin Day  
SBM Director of Outreach  
**Date:** June 14, 2019  
**Re:** Workers' Compensation Law Section – \$5.00 Dues Increase  
Staff Recommendation for BOC Approval

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Rule 5, Section 1(a)(5) of the Supreme Court Rules Concerning the State Bar of Michigan requires that the Board of Commissioners "...determine the amount and regulate the collection and disbursement of section dues..."

Upon review of the record, it is confirmed that the Workers' Compensation Law Section has taken all necessary steps to approve a change to its dues in compliance with the section's bylaws. The section has elected to raise annual dues for active members from \$30.00 to \$35.00. Reproduced below are the relevant excerpts from the section's bylaws and council meeting minutes:

**ARTICLE II. MEMBERSHIP. SECTION 1.** (A) Each member of the Section shall pay to the Treasurer of the Section dues of thirty (\$30.00) dollars. Dues may be increased or decreased by no more than five (\$5.00) dollars annually by a resolution of the Council with 2/3 majority approval to become effective the following January.

**Excerpted from March 1, 2019 Workers' Compensation Council Meeting Minutes:**

**Treasurer's Report.** We have a balance of \$64,133. This is approximately \$15,000 less than last years. Annual dues are down by \$1000. Rosa Bava mentioned that raising dues and for some payment by members/guests to pay for Summer Meeting. Andrea Hamm indicated we should raise dues by \$10. A presentation to the Section at the Summer Meeting to be done by Dennis Flynn and Phil Frame regarding why justified. However, Jayson Chizick read the bylaws and the dues can only be raised by \$5 per year. Council votes and advises the Section. Chair Flynn called for a Motion to raise the annual dues by \$5. Rosa Bava so moved. Andrea Hamm seconded.

Vote was called. Motion passed with all ayes. Therefore, annual dues will be an additional \$5.

The section's proposed change does not conflict with the Supreme Court Rules or State Bar of Michigan Bylaws. Therefore, it is recommended to the Board of Commissioners that the proposed change be APPROVED.

# FY 2020 Preliminary Budget

## Key Budget Assumptions

June 5, 2019 Updated DRAFT for review by the BOC

### General

- Budget consistent with the Strategic Plan and in compliance with the financial safety margin policy
- No change to the current SBM license fee structure
- No fee assumed for the proposed Interim Administrator program (pending approval by MSC)
- Membership revenue growth of approximately 0.2% over the FY 2019 revenue forecast, based on the current membership, adjusted for recent trends of new member applications, the number of character and fitness applications, members returning from suspension for non-payment of dues, and estimates of member attrition
- Budgeted staffing in FY 2020 of 76.0 FTE, an increase of 1.5 FTE over the FY 2019 budget, to meet the needs of member and public service called for in the SBM strategic plan. This includes changing an IT intern (.5 FTE) to a full-time position, changing General Counsel (.5 FTE) to a full-time position, and adding a part-time (.5 FTE) Interim Administrator Program attorney.

### Labor

#### *Salaries*

- Salary compensation adjustments - salary adjustments budgeted totaling \$100,000 (approximately 2% of total salaries) to bring about one-third of the full-time positions to the mid-point in their salary grade based on a benchmarking study. A general increase of 2% budgeted for the remaining positions not receiving a salary adjustment based on comparisons to similar organizations and prorated for time worked in FY 2019. An additional \$50,000 (approximately 1% of total salaries) budgeted for discretionary merit-based incentive compensation not rolled into base salaries (as in previous years – no increase to the FY 2020 budget).
- 1% vacancy float in salaries and related benefits is assumed in FY 2020, based on FY 2019 experience (vs. 0% in FY 2019 budget).

#### *Benefits*

- Maintain the existing employee insurance benefits, with estimated inflationary increases:
  - Medical (Blue Cross Blue Shield of Michigan and Blue Care Network) at current coverages
  - Continued application of the hard cap established by PA 152, the Publicly Funded Health Insurance Contributions Act (PFHICA). The adjusted caps for FY 2020 are based on the current rates in effect for calendar year 2019 for the first 3 months of FY 2020, escalated by 3.4% for the remainder of FY 2020. The 2019 rates are \$6,685.77 for single coverage, \$13,980.75 for two-person coverage, and \$18,232.31 for family coverage. The caps limit the

employer cost of medical insurance, including the medical claims tax, with employees paying the amount over and above the caps.

- Continued Medical insurance opt-out payment to eligible employees of \$1,800 to encourage employees to opt-out of medical coverage.
  - Vision - 0% increase (rate lock)
  - Dental - 5% increase
  - Long-term Disability (LTD), Short-term Disability (STD), Group Term Life (GTL) and Accidental Death and Dismemberment (AD&D) – 0% increase (rate lock)
- Maintain existing Retirement Plans, with estimated adjustments:
  - Defined Benefit Pension for 2 eligible Tier 1 employees – the rate is anticipated to remain flat at 21.98% applied to Tier 1 payroll. Total defined benefit pension expense recognized is based on adjustments from the State of Michigan as determined by GASB 68.
  - Defined Contribution Retirement for all Tier 2 employees – no change (4% contribution plus matching up to 3% of employee contributions)
  - Retiree Health Care premiums paid to the State of Michigan (projected 3% increase in actual premiums for current retirees billed by the State). Total retiree health care expense recognized is based on adjustments from the State of Michigan as determined by GASB 75. Additional retiree health care expense of \$40,000 in FY 2019 will no longer be budgeted as expense in FY 2020, as payments to the trust will be cash transfers only.

*Payroll taxes*

- No changes to the employer FICA and Medicare tax rates - taxes are based on budgeted salaries, no wage cap for Medicare tax, and current social security wage cap of \$132,900, escalated by 3%.

**Non-Labor**

- Postage – no overall change in USPS rates currently in effect for 2019, adjusted for changes in mailing volumes. There was a 6% increase (on average) effective in January 2019.
- Depreciation Expense – no change in the depreciation policy; expense based upon projected asset levels and capital spending.
- Payment in Lieu of Property Tax (PILOT) – 3% escalation based on projected asset valuations and updated millage rates.
- No short term or long-term debt.
- Investment Income – 2.10% of average projected cash and investment levels based on projected interest rates and the current investment policy. (\$50k increase over FY 2019 budget)
- Attorney Discipline System (ADS) fee revenue – 2% increase over the FY 2019 actual amount.
- Michigan State Bar Foundation (MSBF) rent revenue – 2% increase over the FY 2019 actual amount.
- Administrative Fee charged to the Client Protection Fund – 3% increase in non-labor CPF expenses and allocated staff labor.

- No change to what is charged to sections for services, but we will be analyzing costs for possible future increases to services, including a potential fee based on members.

### **Specific Division Assumptions**

#### **Executive Offices**

##### Executive Office, BOC and RA

- Programs and staffing at current FY 2019 budgeted levels except:
  - Governance consultant continuing with a \$15k increase over the FY 2019 budget.

##### Human Resources

- Programs and staffing at current FY 2019 budgeted levels except:
  - Compensation benchmarking study not continuing in FY 2020 (\$10k).

##### Governmental Relations

- Programs and staffing at current FY 2019 budgeted levels.

##### Justice Initiatives

- Programs and staffing at current FY 2019 budgeted levels:
  - Continuing support for Michigan Legal Help (\$50k) and ATJ Fundraising (\$75k), to be reviewed by BOC. Not an increase to the FY 2020 budget.

##### Outreach

- Programs and staffing at current FY 2019 budgeted levels.

##### Research & Development

- Programs and staffing at current FY 2019 budgeted levels except:
  - Economics of Law Practice in FY 2020 (\$15k).

##### Diversity

- Programs and staffing at current FY 2019 budgeted levels.

##### General Counsel

- Programs and staffing at current FY 2019 budgeted levels except:
  - Replacing part-time counsel with full time position.

#### **Professional Standards Division**

- Programs and staffing at current FY 2019 budgeted levels except:
  - Full year impact of C&F fee approved in FY 2019 by MSC (\$90k).
  - Additional .5 FTE and expenses for proposed Interim Administrator Program attorney.

## **Member and Communication Services Division**

- Programs and staffing at current FY 2019 budgeted levels except:
  - FY 2020 Annual Meeting (Next Conference) restructured and in Grand Rapids, and 50-Year Honoree Luncheon held separately (assuming a decrease of \$65k).
  - Potential new costs and offsetting revenue for CloudLaw directory license fee (to be reviewed by BOC).
  - PGG agreement not renewed for non-health care insurance; seeking another provider but assuming a reduction in revenue of \$10k.
  - Increase of .5 FTE to change IT intern to full time position.
  - Additional IT contractor support for project management (\$30k) and PC desktop support (\$21k).
  - Exploring document management application and business case (\$20k operating expense if cloud-based application and \$100k capital if application hosted at SBM).
  - New network upgrade capital costs for phase 1 of the tech audit recommendations (\$30k for 2 firewalls).

## **Finance & Administration Division**

- Programs and staffing at current FY 2019 budgeted levels except:
  - Discontinuing lease for Detroit office location (\$7.2k).
  - Facilities capital projects – front elevator upgrade - estimate of \$180-\$200k depending on work performed in FY 2019.

### **Capital Expenditures Summary:**

- The Preliminary FY 2020 Capital Budget is projected to be \$180k-\$200k for front elevator modernization, \$180k for IT application development, IT network upgrades for 2 firewalls recommended from the tech audit of \$30k, and \$100k for a document management system totaling \$490k to \$510k. This compares to the FY 2019 Capital Budget of \$412k.

## FY 2020 Staffing Preliminary Budget Full Time Equivalent (FTE's)

	FY 2019 <u>Budget</u>	Actual <u>5/22/19</u>	Year-End <u>Forecast</u>	FY 2020 <u>Preliminary Budget</u>
Professional Standards (1)	17.50	17.50	17.50	18.00
Member & Communication Services (2)	31.50	29.50	31.50	32.00
Executive Offices (3)	17.50	17.00	17.50	18.00
Finance & Administration	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>
<b>Total FTE's</b>	<b>74.50</b>	<b>72.00</b>	<b>74.50</b>	<b>76.00</b>

**Notes:**

- 1) On budget in Professional Standards, and plan to add .5 FTE for an Interim Administrator Program attorney.
- 2) Under budget in Member & Communications Services in IT (1 FTE) and Media Relations (1 FTE), and plan to fill those positions and add .5 FTE in IT
- 3) Under budget in Executive Offices .5 FTE Intern, and plan to fill that position and increase General Counsel by .5 FTE

In addition to employees, there is ongoing contractor support. There are 3 on-site janitor contractors in Finance & Administration. There is also 1 part-time contractor in Member Services & Communications and 3 IT programmers on contract, and a planned project management resource. In addition, there are also periodic temp staff used during specific vacancies and leaves of absence.

# **FY 2020 Preliminary Budget**

## **Potential Risks, Possible Upsides & Open Issues**

### **Potential Upsides**

- Labor savings above the 1% vacancy float assumed and other expense efficiencies.
- Potential LRS module revenue

### **Potential Risks**

- Higher labor expenses if less than 1% vacancy float.
- Higher than anticipated cost increases.
- Lower than anticipated non-fee revenue.
- Lower than anticipated dues revenue resulting from a reduction in new members
- Unexpected litigation.

### **Open Issues**

- Pending review by BOC of MSBF ATJ fundraising (\$75k) and Michigan Legal Help support (\$50k).
- Pending review by BOC of proposal for CloudLaw directory contract amendment.
- Refining estimates for capital costs, and business case for document management system.



*p* 517-346-6300

*p* 800-968-1442

*f* 517-482-6248

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To: Board of Commissioners  
Communications and Member Services Committee

From: Dana Warnez and Robert Buchanan

Date: May 29, 2019

Subject: 2019 State Bar of Michigan Liberty Bell Award Recommendation

306 Townsend Street  
Michael Franck Building  
Lansing, MI  
48933-2012

The State Bar of Michigan Awards Committee recommends that Stefanie Mezigian receive the 2019 State Bar of Michigan Liberty Bell Award.

Stefanie Mezigian received the Oakland County Bar Association's 2019 Liberty Bell Award in acknowledgement of the heroic way in which she responded to life-threatening injuries she suffered while escaping a fire in her apartment.

Ms. Mezigian sustained these injuries when she jumped from her third-story apartment window after trying to save her cats from the fire. Despite multiple surgeries, months in bed, constant rehabilitation, and a permanent disability, she did not let this event steal her spirit and passion. Instead, she used it as motivation to make a difference for the most marginalized populations.

Since this tragic day, Mezigian has become a highly visible advocate for equality. On election day, there were photos of her struggling to get to the polls in her wheelchair, reminding friends that they did not have an excuse not to get there if she was there. In addition, she has lobbied for a variety of legislation, including the Clean Dream Act and universal health care, volunteered for multiple organizations, and participated in numerous marches and protests, including protests involving the Flint Water Crisis. Her advocacy has been tireless and multi-faceted, and she has challenged politicians on both sides of the aisle.

We believe Ms. Mezigian embodies everything this award stands for.

To view all SBM award nominations, visit <http://bit.ly/SBMAwards>. This is a password-protected website, so you will have to enter your SBM username or P number, and then the password you use to access the member area of [michbar.org](http://michbar.org).