



**Oregon Department of Justice**  
Ellen F. Rosenblum, Attorney General

**2019 Joint Committee on Ways & Means  
Subcommittee Presentation  
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# Department of Justice Legal Rate Model

**Presenters: Frederick M. Boss  
Deputy Attorney General**

**William O'Donnell  
Chief Financial Officer**



# Billing Process and Rate Model Overview

- What is DOJ's statutory billing authority?
- What are DOJ's Legal Divisions?
- What is the Legal Fund?
- How does the billing process work?
- How does DOJ determine the Legal Services rate?
- What factors affect the legal rate?



# DOJ's statutory billing authority

- **180.160 Charges for services to public agencies; rules.**
  - Provides that DOJ may charge agencies and other public bodies for rendering legal assistance.
- **180.170 Billing for services to public agencies.**
  - Provides that DOJ shall estimate biennial expenses in advance and invoice agencies and other public bodies for their share of these expenses. Provides for adjusting future invoices for prior differences between actual and estimated expenses.
- **The hourly billing rate is not set in statute. It is developed in conjunction with the development of the biennial budget.**
  - The rate is not final until the end-of-session omnibus budget bill.



# DOJ has six “Legal Divisions”

- Legal Divisions:
  - Appellate (including Defense of Criminal Convictions)
  - Trial (including Defense of Criminal Convictions)
  - General Counsel
  - Attorney General’s Office
  - Civil Enforcement – Legal
  - Criminal Justice – Legal
- Non-Legal Divisions:
  - Child Support
  - Crime Victims’ Services
  - Civil Enforcement – Non-Legal
  - Criminal Justice – Non-Legal
  - Administrative Services



# Our External Clients

- State Officers and Agencies
  - Governor's Office
  - Judicial Department
  - Legislature
  - Boards and Commissions

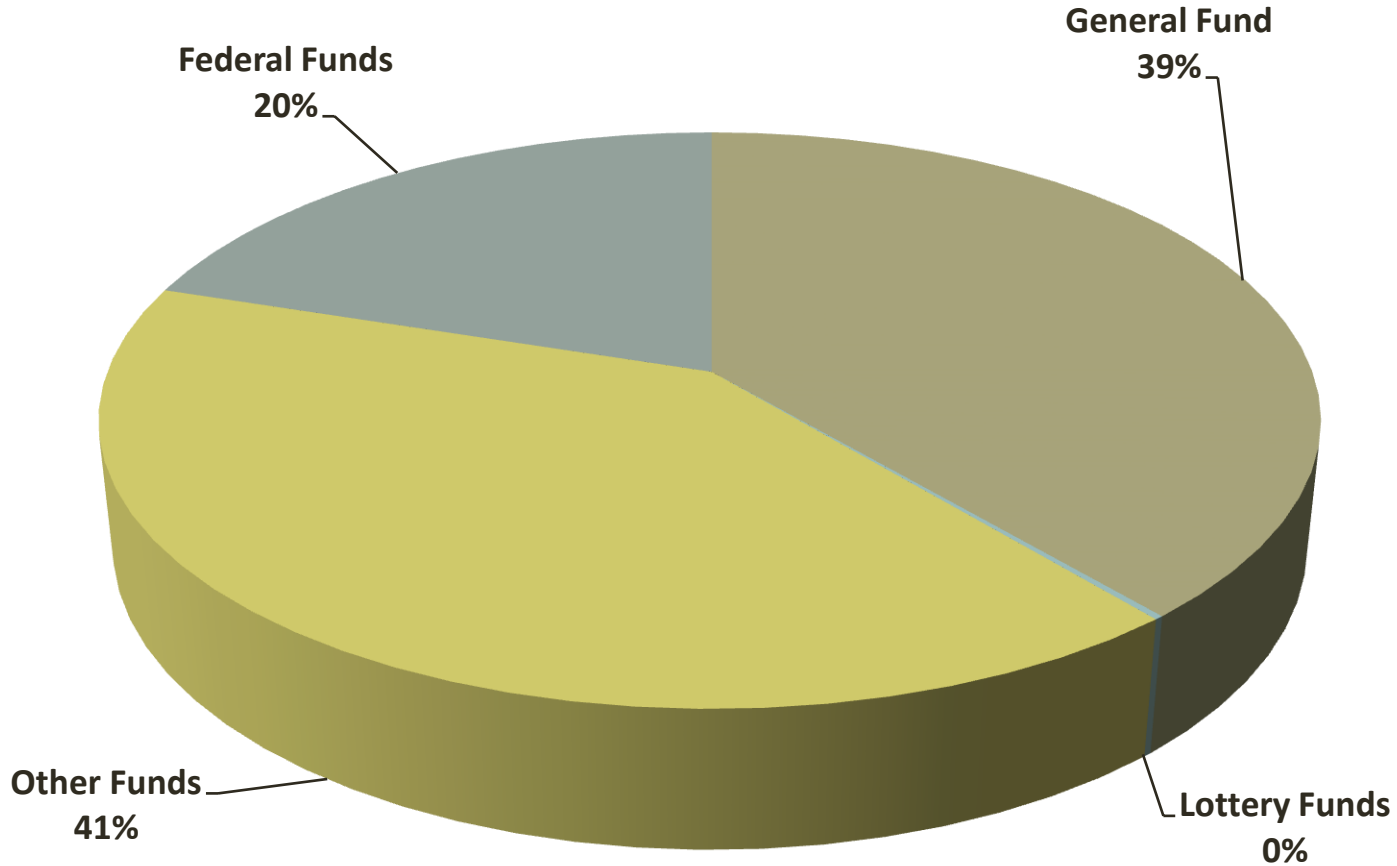


# Our Internal Clients

- Defense of Criminal Convictions
- Consumer Protection Programs
- Racketeering / Organized Crime



# Listing of Agency Funding Sources to Pay DOJ Legal Fees



2017-19 Legislatively Adopted Budget





# What is the Legal Fund?

The Legal Fund is an internal service fund which records the revenues and expenses for providing Legal Services to state government.

Examples of Other Internal Service Funds: Motor Pool, Copy Machines  
– each with a user fee.

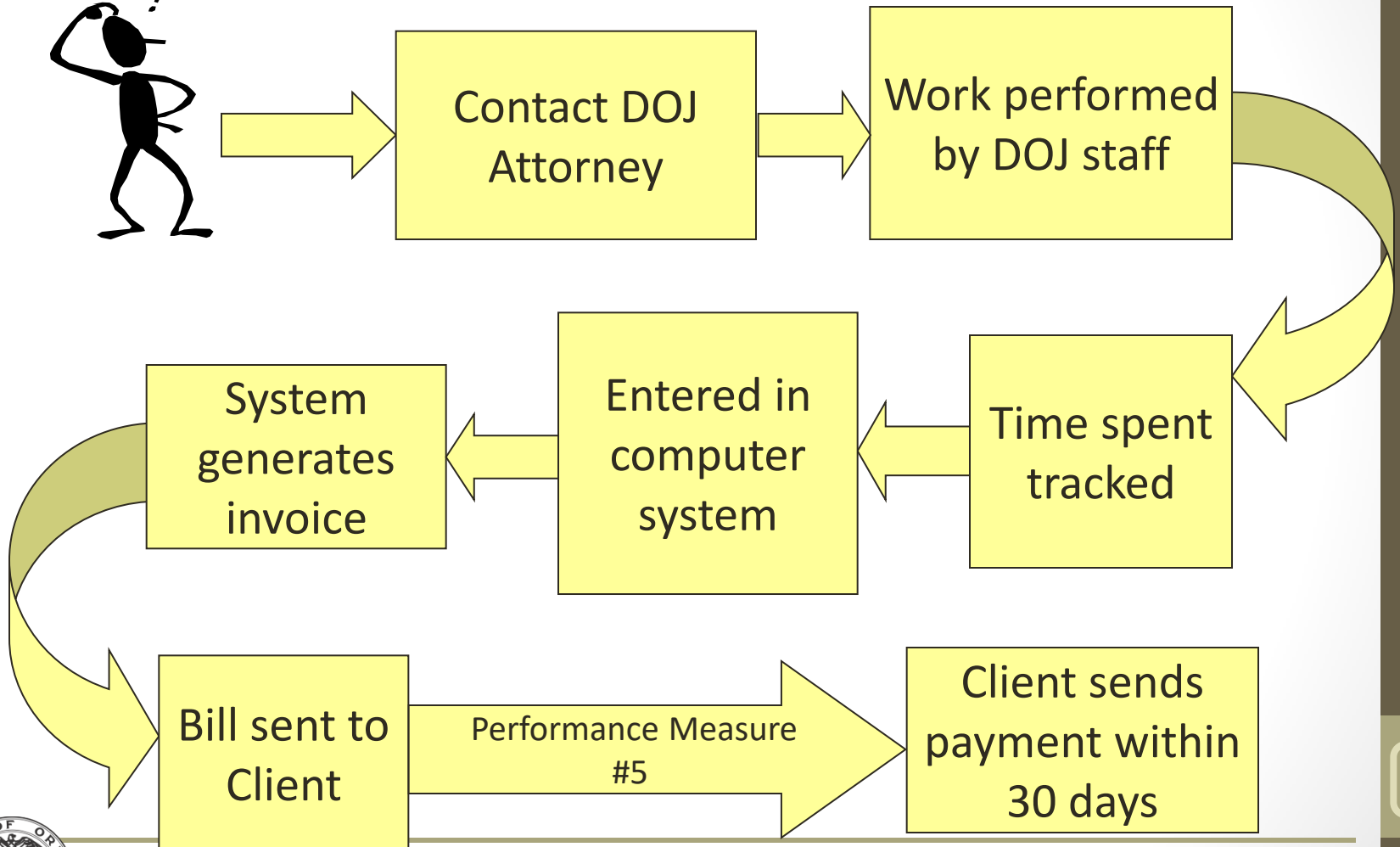
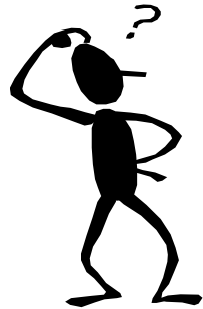


# Legal Fund Budget Model:

- Other Funds expenditure limitation to hire employees and pay operating costs.
- The legal rate billed to client agencies has to be adequate to fund:
  - The attorney
  - Contribute to division operating costs for supplies, services, technology, capital items and costs charged to divisions for rent, payroll, accounting, human resources, etc.



# How does the billing process work?



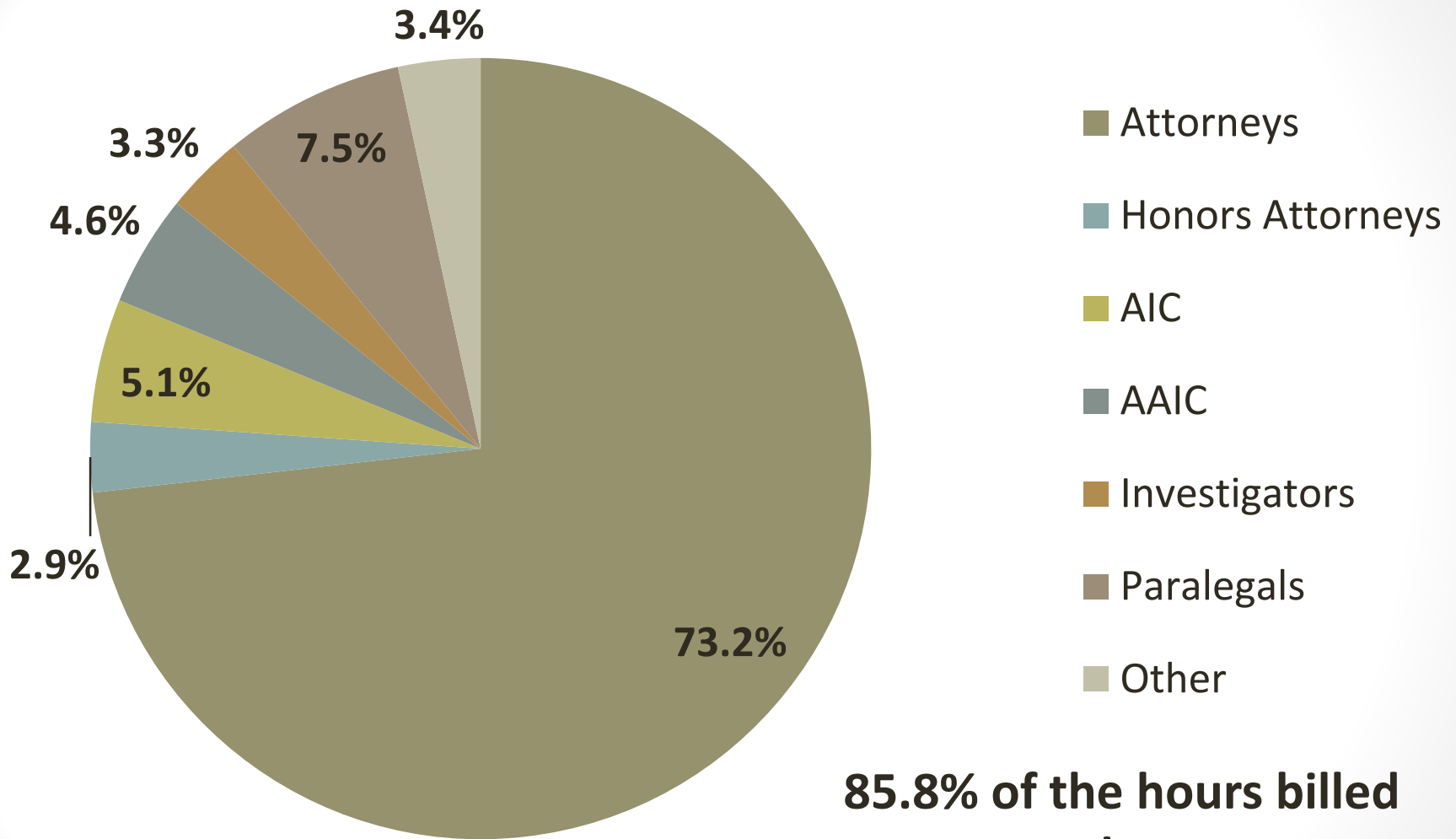
# Variety of Billable Positions & Rates

- DOJ's 2017-19 billing rates differ by type of biller:

<u>Biller type</u>	<u>Rate</u>	<u>FTE</u>	<u>Std. Hrs.</u>
• Attorneys	\$182/hr	211.80	3,200
• Honors Attys	\$182/hr	8.55	2,950
• Attys in Charge	\$182/hr	22.58	2,100
• Assist Attys in Chg	\$182/hr	19.00	2,400
• Administrator	\$182/hr	3.99	800
• Investigators	\$125/hr	23.43	2,717
• Paralegals	\$ 91/hr	60.14	2,658
• Law Clerks	\$ 55/hr	56.58	1,248
• Clerical	\$ 49/hr	12.13	1,438
• ADR Coordinator	\$104/hr	0.95	453



# Billing Hours by Position



**85.8% of the hours billed are at the same rate.**



## State of Oregon – Department of Justice Legal Fund - Fiscal Year End Accounts Receivable Balance



	2015	2016	2017	2018
Accounts Receivable	\$8,925,045	\$10,194,170	\$8,455,693	\$11,078,539



# How does the Department of Justice determine the Legal Rate?



# Legal Rate – Two Components

**Direct Cost of the Hours of Work**

**Plus**

**Operating Costs and Assessments  
for Agency & State Overhead \***

\* - Overhead includes non-billable hours, division operating costs, administrative assessments the department receives for technology, telecommunications, rent, insurance, accounting and human resources.





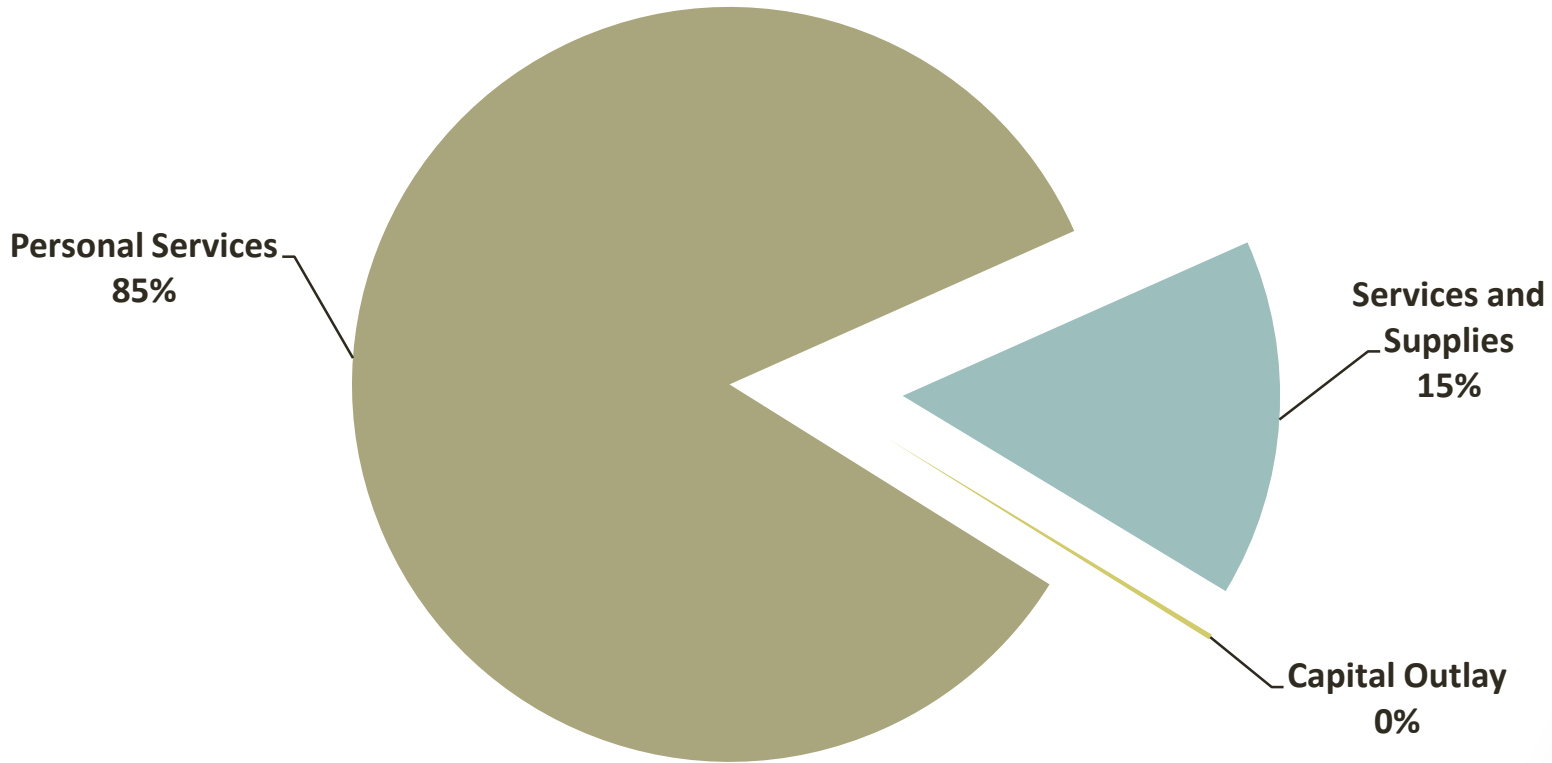
# Calculation of Attorney General Rate

$$\text{Rate}^* = \frac{\text{Total projected biennial legal service costs}}{\text{Projected number of biennial billable hours}}$$

\* - Rate is actually assigned in the end-of-session omnibus budget bill.



## 2017-19 Legislatively Approved Budget Legal Fund Expenditures



**Total Legal Expenses - \$193,701,195**



# Calculating the billing rate needed to provide legal services

2017-19 Legislatively Adopted Budget (LAB)

Changes to 2017-19 LAB (e.g., short session and E-boards)

Changes to 2019-21 (base adjustments and essential packages such as inflation and phase-outs)

Assumptions related to compensation (COLAs, flexible benefits, PERS rates)

Policy packages and working capital adjustment

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= 2019-21 expenditures

Divided by projected billable hours = 2019-21 billing rate



# Recent History of the Legal Rate

- The AG billing rate is the dollar amount charged to DOJ's client agencies and internal accounts for one hour of legal work.

<u>Biller Type</u>	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21ARB</u>
• Assistant Attorneys General	\$175/hr	\$182/hr	\$223/hr
• Paralegals	90/hr	91/hr	98/hr
• Investigators	116/hr	125/hr	126/hr
• Law Clerks	55/hr	55/hr	55/hr
• Clerical	47/hr	49/hr	49/hr

- The billing rate is calculated to generate revenue that will match the projected expenditures and working capital need.



# What Factors Affect the Legal Rate?



# Costs Affecting the Legal Rate

## Direct Costs

- Salaries and benefits for Legal Divisions

- Services and supplies for Legal Divisions

- Capital outlay for Legal Divisions

## Central Service Costs

- Administrative services related to Legal Divisions

## External Fixed Costs

- Costs assessed by State Government Service Charges attributable to the Legal Divisions



# Factors Affecting the Legal Rate

Decreases to the Hourly Rate: 

Add an Attorney or any billable position.

Reduce non-billable positions.

Reduce other costs and administrative assessments.

Increases to the Hourly Rate: 

Reduce Attorney or any billable positions.

Increase non-billable positions.

Increase other costs or administrative assessments.



# Legal Rate Parallels the State Budget Process

- **Agency Request Budget** – Legal Rate is an estimate of the ARB with all budgetary requests made by the Department of Justice. **\$223 / Hour**
- **Governor’s Budget** – Legal Rate recalculated to represent Current Service Level plus adopted Policy Option Packages and other components of Governor’s Budget. **\$208 / Hour**
- **Legislatively Adopted Budget** – Legal Rate recalculated for each legislative budget decision affecting Department of Justice. **\$???** / Hour





# Oregon State Bar – Legal Rates

<u>Year</u>	<u>Private Practice Rate</u>	<u>Dept. of Justice Rate</u>
• 2012	\$242 / hour	\$143 / hour
• 2017	\$286 / hour	\$182 / hour



# Questions?

