

MEMORANDUM

State of Alaska
Department of Law
Division of Administrative Services
Phone (907) 465-3672 Fax (907) 465-5419

To: Administrative Solutions Team

Date: June 14, 2013

Telephone: 465-3673

From: Dave Blaisdell, Director *gdb*
Administrative Services Division
Department of Law

Subject: FY2014 Legal Services
Timekeeping & Billing
Rates

The FY2014 timekeeping and billing rates for Department of Law attorney and paraprofessional timekeepers will remain unchanged and are listed below:

	<u>FY2014</u>	<u>FY2013</u>	<u>Increase</u>	<u>%Increase</u>
Attorney -	\$156.35	\$156.35	\$ 0.0	0.0%
Paraprofessional -	\$107.24	\$107.24	\$ 0.0	0.0%

As many of you know the department employs a uniform rate structure that is applied equally to all of our client agencies. A single hourly rate is developed and applied to all billable time produced by each of our attorneys regardless of who that individual is or what client he or she may work for. Similarly, a single rate is calculated and applied for all paralegal services.

The rates are developed based on the projected costs of providing legal services (including direct personal services costs as well as other indirect overhead costs such as support staff) divided by an estimate of the total projected billable hours for the same period. Historically our rates have remained low in comparison to prevailing rates in the private sector. The biggest factor impacting Law's rates is payroll and rates have reflected the increase in those costs over the past several years.

Impacts of SB95 have not been factored in to the FY14 rates and it is anticipated that the rates will increase in FY2015 as these cost increases are factored into the rates. In FY14 it is the department's intention to manage these increased costs without adjusting the rates.

The Department of Law remains committed to providing the best legal services we can and this office is equally committed to assisting you in analyzing your agency's use of those services. To that end, please feel free to contact me directly if you have questions or concerns.

MEMORANDUM

State of Alaska
Department of Law
Division of Administrative Services
Phone (907) 465-3672 Fax (907) 465-5419

To: Administrative Services Directors

Date: March 20, 2014

Telephone: 465-3673

From: Dave Blaisdell, Director
Administrative Services Division
Department of Law

Subject: FY2015 Legal Services
Timekeeping & Billing
Rates

Your recommendation to approve the FY2015 timekeeping and billing rates for Department of Law attorney and paraprofessional timekeepers is hereby requested:

	<u>FY2015</u>	<u>FY2014</u>	<u>Increase/(Decrease)</u>	<u>%Increase/(Decrease)</u>
Attorney -	\$156.84	\$156.35	\$ 0.49	0.3%
Paraprofessional -	\$101.90	\$107.24	\$ (5.34)	(5.0%)

As many of you know the department employs a uniform rate structure that is applied equally to all of our client agencies. A single hourly rate is developed and applied to all billable time produced by each of our attorneys regardless of who that individual is or what client he or she may work for. Similarly, a single rate is calculated and applied for all paralegal services.

The rates are developed based on the projected costs of providing legal services (which includes direct personal services costs as well as other indirect overhead costs which includes support staff) divided by an estimate of the total projected billable hours for the same period. Historically our rates have remained low in comparison to prevailing rates in the private sector with only slight increases per year as payroll, benefits and other costs have risen with inflation. As you may recall last year the Department was able to maintain the rates from FY13 although as mentioned in the rate approval memo for FY14, we anticipated an increase in the rates for FY15.

In FY15, the modest increases are due mainly to an increase in personal services resulting from the FY13 salary increases and the cost of the geographic differential but also include additional operating cost increases such as leases. In the current year, those cost increases are being covered by maintaining higher than anticipated vacancy. The current proposed rates include maintaining that higher level of vacancy as well as recognizing budget reductions proposed in the Governor's budget. The rates reflect a relatively static annual average billable hours by the attorneys at 1,456.5. The annual average hours billed by our paralegals however, has increased 47 hours per year resulting in the reduction in the proposed rate per hour.

The Department of Law remains committed to providing the best legal services we can and this office is equally committed to assisting you in analyzing your agency's use of those services. To that end, please feel free to contact me directly if you have questions or concerns.


MEMORANDUM

State of Alaska
Department of Law
Division of Administrative Services
Phone (907) 465-3672 Fax (907) 465-5419

To: Administrative Services Directors

Date: August 25, 2015

Telephone: 465-3673

From: Dave Blaisdell, Director 
Administrative Services Division
Department of Law

Subject: FY2016 Legal Services
Timekeeping & Billing
Rates

As many of you know the department employs a uniform rate structure that is applied equally to all of our client agencies. A single hourly rate is developed and applied to all billable time produced by each of our attorneys regardless of who that individual is or what client he or she may work for. Similarly, a single rate is calculated and applied for all paralegal services.

The rates are developed based on the projected costs of providing legal services (which includes direct personal services costs as well as other indirect overhead costs including support staff, department chargebacks and other operating costs) divided by an estimate of the total projected billable hours for the same period. Historically our rates have remained low in comparison to prevailing rates in the private sector with only slight increases per year as payroll, benefits and other costs have increased.

The resulting rates for the Department of Law using the federally approved rate methodology resulted in the following rates:

	<u>FY2016</u>	<u>FY2015</u>	<u>Increase/(Decrease)</u>	<u>%Increase/(Decrease)</u>
Attorney -	\$ 159.45	\$ 156.84	\$ 2.61	1.7%
Paraprofessional -	\$ 102.43	\$ 101.90	\$.53	0.5%

Given the current fiscal challenges we are all facing the Department recognizes the burden placed on our clients of the proposed increases and is including an alternative proposal by incorporating the unallocated reduction in expenditures in the FY16 budget into the FY16 rates. The rate methodology would normally incorporate those into the FY17 rates. The impacts will result in a relatively flat rate for FY16. As we are all experiencing, these reductions will prove to be challenging given that in FY 14, 85% of the costs included in the rate base were personal services and an additional 12% were interagency expenditures. By reducing anticipated expenditures \$500,000 the resulting rates would be as follows:

	<u>FY2016</u>	<u>FY2015</u>	<u>Increase/(Decrease)</u>	<u>%Increase/(Decrease)</u>
Attorney -	\$ 157.51	\$ 156.84	\$.67	0.4%
Paraprofessional -	\$ 101.18	\$ 101.90	\$ (0.72)	(0.7%)

To achieve this Law increased its planned vacancy from 6.7% to 8.0%. That change, along with previous reductions to the FY 16 budget, will impact Law's service delivery but in these times of

budget reductions it is important that the agencies continue to seek legal guidance to ensure decisions do not have unintended consequences.

It is worthy of noting that the rates reflect a relatively static annual average billable hours by the attorneys at 1,456.5. The average has increased for paralegals 63.9 hours to 1,422.6.

A final point that will play into future rates is that future reductions will result in an increase in rates unless the department can reduce indirect costs in proportion to the amount of direct cost reductions.

The Department of Law remains committed to providing the best legal services we can and this office is equally committed to assisting you in analyzing your agency's use of those services. To that end, please feel free to contact me directly if you have questions or concerns.


MEMORANDUM

State of Alaska
Department of Law
Division of Administrative Services
Phone (907) 465-3672 Fax (907) 465-5419

To: Administrative Services Directors

Date: September 14, 2016

Telephone: 465-3673

From: Brandon Cullum, Director 
Administrative Services Division
Department of Law

Subject: FY2017 Legal Services
Timekeeping & Billing
Rates

The Department of Law employs a uniform rate structure that is applied equally to all of its client agencies, regardless of the nature of the legal matter or the experience of the staff assigned. This rate structure includes a single hourly rate for all billable time produced by each of our attorneys, and a single hourly rate for all billable time produced by each of our paralegals.

The rates are developed based on the projected costs of providing legal services (which includes direct personal services costs as well as other indirect overhead costs including support staff, department chargebacks and other operating costs) divided by an estimate of the total projected billable hours for the same period. Historically, Law's rates have remained low in comparison to prevailing rates in the private sector with only slight increases per year as payroll, benefits and other costs have increased.

In FY2016, in an effort to support agencies as they allocated budget cuts, Law reduced its regularly calculated rate 1.2% by decreasing anticipated expenditures \$500,000 and increasing vacancy rate from 6.7% to 8%. Last year's rate memo noted the reduction and that resulting rates would likely not be sustainable into FY17.

<u>FY16 Adjustment</u>	<u>Calculated</u>	<u>Adjusted</u>	<u>\$ Change</u>	<u>% Change</u>
Attorney	\$159.45	\$157.51	(\$1.94)	-1.22%
Paraprofessional	\$102.43	\$101.18	(\$1.25)	-1.22%

For FY2017, Law eliminated many attorney and support staff positions, which dropped its vacancy rate from 8% to 4.07%. The support staff cuts decrease indirect overhead, but long-term leases lock in the same facility footprint from FY16 to FY17. These factors combine to create a situation where fewer billable staff are tasked with recovering expenses for the same facilities footprint, the expense of which is marginally offset by the savings from maintaining fewer non-billable support staff. The net effect of these changes is a 2.14% increase to the attorney rate and a 1.08% reduction to the paralegal rate, resulting in an average change of .53% from FY16.

<u>FY16 to FY17</u>	<u>FY16 Adjusted</u>	<u>FY17 Rate</u>	<u>\$ Change</u>	<u>% Change</u>
Attorney	\$157.51	\$160.88	\$3.37	2.14%
Paraprofessional	\$101.18	\$100.09	(\$1.09)	-1.08%

The department's FY2018 budget-planning process includes an effort to substantially right-size our footprint to better reflect reductions in staffing experienced since FY15. This decrease in facility expenses should help to offset upward pressure on rates that would otherwise stem from further reductions to staffing.

The Department of Law remains committed to providing the best legal services we can and this office is equally committed to assisting you in analyzing your agency's use of those services. To that end, please feel free to contact me directly if you have questions or comments.

MEMORANDUM

State of Alaska
Department of Law
Division of Administrative Services

To: Pat Pitney, Director
Office of Management and Budget

Date: September 13, 2017

Telephone: 465-3673

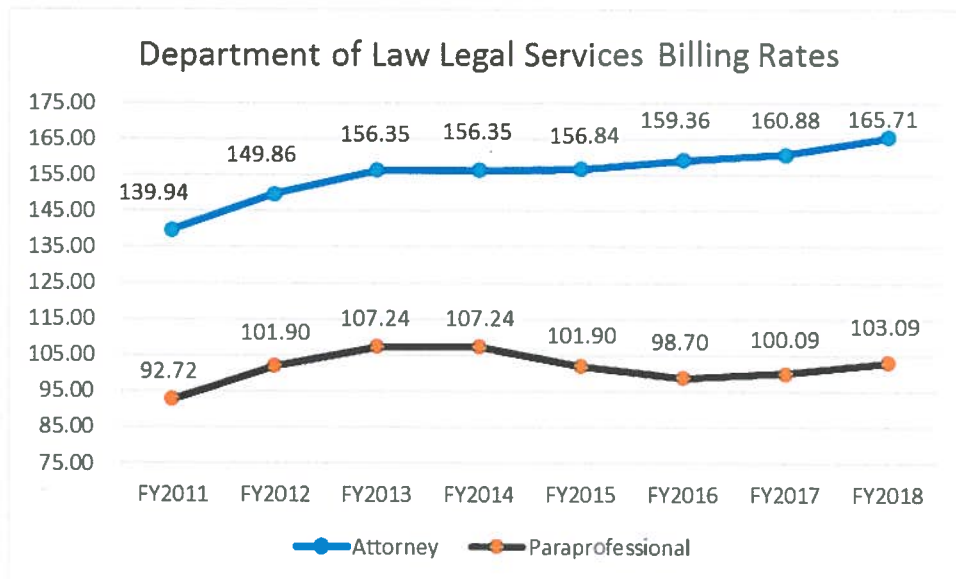
From: Dan Spencer, Director *Dan*
Administrative Services Division
Department of Law

Subject: Proposed FY18 Legal
Services Timekeeping &
Billing Rates

The Department of Law has prepared its FY18 legal services billing rates and, when using the existing methodology, determined hourly rates to be \$178.54 for attorneys and \$107.04 for paraprofessionals. This rate for attorneys is 11% higher than the FY17 rate, and the paraprofessional rate is 7.1% higher.

However, in recognition of the current fiscal situation we propose to set the FY18 rates at \$165.71 for attorneys and \$103.09 for paraprofessionals, a 3% increase over the FY17 rates.

The trend in rates since FY11 is shown below.

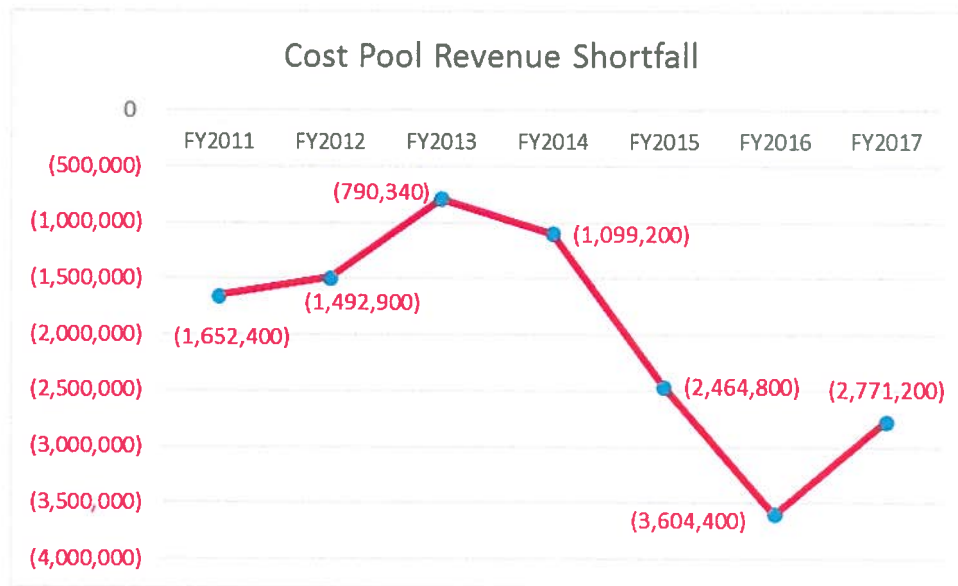


The Department of Law has long employed a uniform rate structure that is applied equally to all client agencies, regardless of the nature of the legal matter or the experience of the staff assigned. This rate structure includes a single hourly rate for all billable time produced by each of our attorneys, and a single hourly rate for all billable time produced by each of our paralegals.

The rates are developed based on the projected costs of providing legal services during the fiscal year. This includes direct personal services costs as well as indirect overhead costs, which

includes support staff, department chargebacks and other operating costs. Each rate is then calculated by dividing total projected costs by the estimated total billable hours.

Since at least FY11, these rates have not covered all billable costs in any fiscal year; the shortfall amounts are shown below.



These shortfalls have to be covered by the division's general fund appropriation. This rate increase should help to reduce that subsidy which will in turn free up general funds for other services, particularly for the Child Protection section, which is primarily funded by UGF.

Please contact me if you have questions or comments.

MEMORANDUM

State of Alaska
Department of Law
Division of Administrative Services

To: Pat Pitney, Director
Office of Management and Budget

Date: August 2, 2018

Telephone: 465-3673

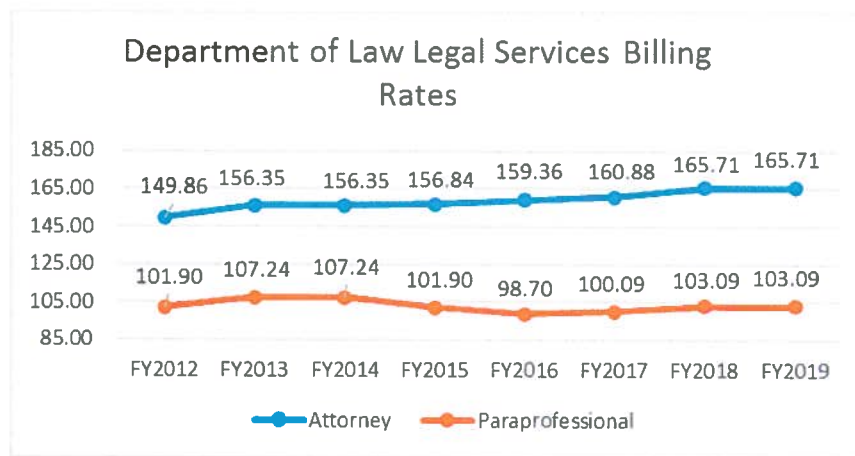
From: Dan Spencer, Director *DS*
Administrative Services Division
Department of Law

Subject: Proposed FY19 Legal
Services Timekeeping &
Billing Rates

The Department of Law proposes to hold its FY19 legal services billing rates at the same level as the FY18 rates of \$165.71 for attorneys and \$103.09 for paraprofessionals.

As in prior years, these rates will not fully recover all allowable costs, with the shortfall being covered by UGF appropriations to the department's Civil Division. If FY19 rates were set at their actual calculated level, the hourly charges would be \$179.76 for attorneys and \$106.08 for paraprofessionals.

The trend in rates since FY12 is shown below.



The Department of Law has long employed a uniform rate structure that is applied equally to all client agencies, regardless of the nature of the legal matter or the experience of the staff assigned. This rate structure includes a single hourly rate for all billable time produced by each of our attorneys, and a single hourly rate for all billable time produced by each of our paralegals.

The rates are developed based on the projected costs of providing legal services during the fiscal year. This includes direct personal services costs as well as indirect overhead costs, which includes support staff, department chargebacks and other operating costs. Each rate is then calculated by dividing total projected costs by the estimated total billable hours.

Please contact me if you have questions or comments.

MEMORANDUM

State of Alaska
Department of Law
Division of Administrative Services

To: Paloma Harbour, Budget Director
Office of Management and Budget

Date: October 10, 2019

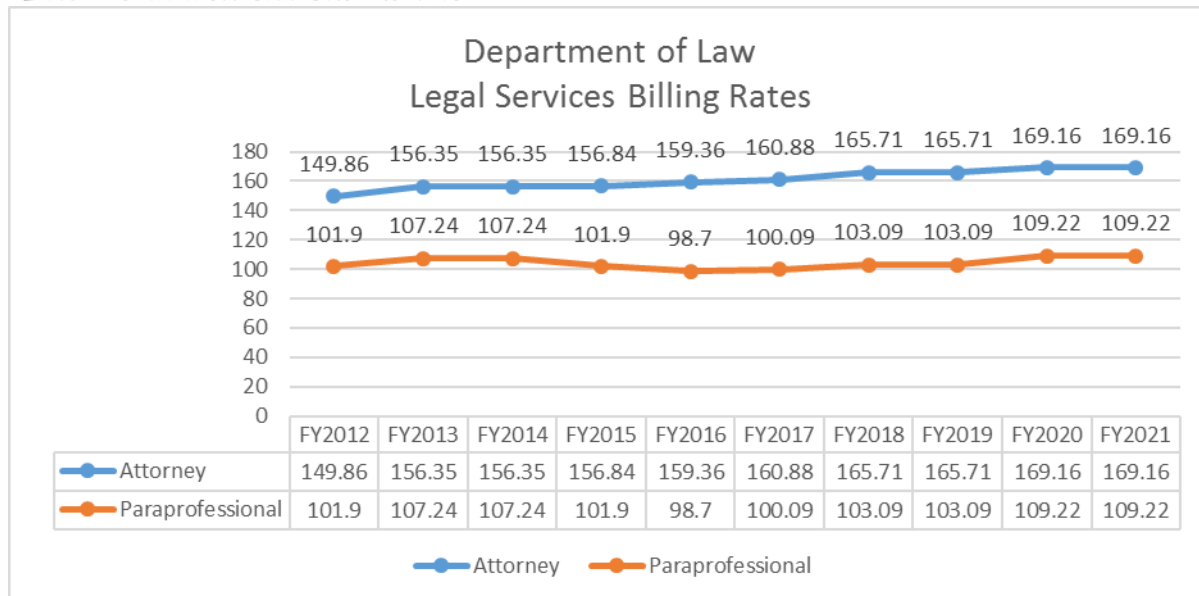
Telephone: 465-3673

From: Anna Kim, Director
Administrative Services Division
Department of Law

Subject: FY21 Legal Services
Timekeeping & Billing
Rates

The Department of Law received approval from the Administrative Services Directors at their October 9, 2019, meeting agreeing to maintain the FY20 legal services billing rates for FY21, using a 3-year average rate calculation, equaling \$109.22 for paraprofessionals and \$169.16 for attorneys. The 3-year average is an average of the prior 3 years productive work hours and provides a smoothing of rates over time.

Below is the historical trend in rates:



The Department of Law employs a uniform rate structure that applies equally to all client agencies, regardless of the nature of the legal matter or the experience of the staff assigned. This rate structure includes a single hourly rate for all billable time produced by each of our attorneys, and a single hourly rate for all billable time produced by each of our paralegals. The rates are developed based on the projected costs of providing legal services during the fiscal year and includes direct personal services costs as well as indirect overhead costs, which includes support staff, department chargebacks and other operating costs. Each rate is then calculated by dividing total projected costs by the estimated total billable hours.

We anticipate as the productive hours increase, as a result of improved timekeeping, that the FY22 legal services rate will be reduced.

Please contact me if you have questions or comments.



Approved



Disapproved



Paloma Harbour, Budget Director



Date