

## **MCLE Board Recommendation Sponsor Fee Increase**

### **THE “WHY” —**

- there has not been an MCLE sponsor fee increases since 2016; there were increases in 1999 and again in 2008
- inflation has [increased](#) 27%, cumulatively, since 2016;
- labor costs have increased 17% since 2016;
- commercial rent has increased 25% since 2016;
- there has been historically low unemployment and high staff turnover within the MCLE department during this period;
- relatedly, delinquent fees for active membership dues were cut 50% in 2020, and active member dues have not increased since 2000.

**Two goals sought: (1) pass along additional VSB expenses to course sponsors AND (2) ameliorate the vast gulf between what Non-accredited & Law Firm (NA & LF) Sponsors pay compared to what Accredited sponsors pay.**

### **FACTS:**

- There are two classes of course sponsors: Non-accredited & Law Firm Sponsors, and Accredited Sponsors.
- Approximately 25% of the roughly 22,000 courses the VSB reviews annually are submitted by Non-accredited & Law Firm Sponsors. The balance of courses, roughly 75%, are submitted by Accredited Sponsors.
- Non-accredited & Law Firm Sponsors pay a fee for each course they seek approval for, and the fee varies depending on the length of the course.
- Prospective Accredited Sponsors submit an initial application for approval as an Accredited Sponsor and pay an annual fee. In return they receive expedited course review/approval and a lower threshold of written materials required to be submitted for each course.
- Law firms cannot be Accredited Sponsors.
- The annual fee paid by Accredited Sponsors authorizes them to submit a number of courses within the fee Band assigned (i.e., seven bands ranging in increments from 0 to more than 3,000). The appropriate band is determined based on the number of courses submitted in the preceding CLE period.
- The standardized metric of “cost per course” (CPC) varies significantly depending on whether the course is submitted by Non-accredited & Law Firm Sponsors, or Accredited Sponsors.
- Approximately 75% of courses submitted by Non-accredited Sponsors are for courses requesting less than 6 hours of credit.
- Approximately 98% of courses submitted by Law Firm Sponsors are for courses requesting less than 6 hours of credit.
- Approximately 63% of Accredited Sponsors are within Band 1 permitting up to 50 courses for review/approval per year.

- Typically, course sponsors receive revenue far in excess of the CPC.

**ANALYSIS:**

The MCLE Board formed a subcommittee that considered various options for implementing an increase through a framework that considered:

- how a fee increase burden should be allocated between accredited sponsors (~75% of all courses) v. non-accredited/law firm sponsors (~25% of all courses);
- how a fee increase burden should be allocated within non-accredited sponsors based on duration of course seeking approval;
- both across-the-board and percentage-based increases;
- the benefit gained by course sponsors compared with the relatively low cost of course approval.

**OBJECT LESSON:**

A not-for-profit bar association, that is an Accredited Sponsor at Band 1, paid a yearly fee of \$350 for review/approval of up to 50 courses. The association hosted one 8-hour CLE for which it charged each attendee a modest \$200. The association anticipated and had attendance of 50 lawyers, thus yielding revenue of \$10,000. The CPC for that course ranged from, an extreme low of \$7, to an extreme high of \$350 (depending on how many courses that sponsor requested approval for in the year) representing at worst a 28 fold return on investment and at best a 1,400 fold return on investment. (NB: most course sponsors charge significantly more than the \$25/course hour that the association charged, making this a conservative example.)

**SUBCOMMITTEE RECOMMENDATION:**

- 1.) Increase the course review/approval fee for Non-accredited & Law Firm sponsors to keep pace with VSB's increased costs since the last fee increase (2016).
- 2.) Increase the course review/approval fee for Accredited Sponsors to balance more equitably the cost per course (CPC) paid by Non-accredited & Law Firm Sponsors.
- 3.) Create more gradations at the 1-6 hour course review/approval fee level for Non-accredited and Law Firm Sponsors.
- 4.) Create more gradations of the number of courses permitted within Band 1 of Accredited Sponsors.

**The proposed increase for NA & LF Sponsors revises the cost for course approval based on the length of course sought and increases fees to recuperate additional VSB expenses since the last fee increase. The Accredited Sponsor fee proposal revises the accredited bands (adds three new bands) and implements a graduated percentage increase that reduces the CPC disparity between NA & LF sponsors compared to Accredited Sponsors.**

The proposed fee increases would result in approximately \$300,000 in additional revenue for the VSB. Importantly, the Board does not recommend any increase in the fees for individual lawyers to seek course approval.

**Accredited Sponsors Fee Increase Proposals (~75% of all courses)**

Accredited Band	No. of programs	Existing fee	<b>Proposed fee (A)</b>	\$ Change from existing fee	% Change	Max CPC	<b>Proposed fee (B)</b>	\$ Change from existing fee	% Change	Max CPC
<i>Description</i>			<i>equalize CPC</i>				<i>equal % increase</i>			
1	1-25	\$350	\$500	\$150	43%	\$500	\$455	\$105	130%	\$455
2	26-50	\$350	\$1,000	\$650	186%	\$38	\$455	\$105	130%	\$18
3	51-75	\$500	\$1,250	\$750	150%	\$25	\$650	\$150	130%	\$13
4	76-100	\$500	\$1,500	\$1,000	200%	\$20	\$650	\$150	130%	\$9
5	101-200	\$750	\$2,000	\$1,250	167%	\$20	\$975	\$225	130%	\$10
6	201-300	\$750	\$3,000	\$2,250	300%	\$15	\$975	\$225	130%	\$5
7	301-500	\$1,000	\$4,500	\$3,500	350%	\$15	\$1,300	\$300	130%	\$4
8	501-1000	\$2,000	\$7,500	\$5,500	275%	\$15	\$2,600	\$600	130%	\$5
9	1001-2000	\$3,000	\$15,000	\$12,000	400%	\$15	\$3,900	\$900	130%	\$4
10	2000+	\$4,000	\$30,000	\$26,000	650%	\$15	\$5,200	\$1,200	130%	\$3

**Recommendation** 

<b>Proposed fee (C)</b>	\$ Change from existing fee	% Change	Max CPC	<b>Proposed fee (D)</b>	\$ Change from existing fee	% Change	Max CPC
<i>graduated % increase</i>				<i>flat fee &amp; discount</i>			
\$438	\$88	25%	\$438	\$500	\$150	43%	NA
\$455	\$105	30%	\$18	\$500	\$150	43%	NA
\$675	\$175	35%	\$13	\$500	\$0	0%	NA
\$700	\$200	40%	\$9	\$500	\$0	0%	NA
\$1,088	\$338	45%	\$11	\$500	-\$250	-33%	NA
\$1,125	\$375	50%	\$6	\$500	-\$250	-33%	NA
\$1,550	\$550	55%	\$5	\$500	-\$500	-50%	NA
\$3,200	\$1,200	60%	\$6	\$500	-\$1,500	-75%	NA
\$4,950	\$1,950	65%	\$5	\$500	-\$2,500	-83%	NA
\$6,800	\$2,800	70%	\$3	\$500	-\$3,500	-88%	NA

*Recommendation* 

Proposed NA & LF Sponsors Fee Increase Proposal (~25% of all courses)									
Length of course	Existing Fee	Change	New Fee	New Cost/course (CPC)	% increase	No. of Courses in 2023	Existing Revenue	Proposed Revenue	Additional Revenue
1 hour	\$75	\$25	<b>\$100</b>	\$100	33%	3852	\$288,900	\$385,200	\$96,300
2 hours	\$75	\$50	<b>\$125</b>	\$125	67%	988	\$74,100	\$123,500	\$49,400
3-10 hours	\$75*	\$125	<b>\$200</b>	\$200	167%	784	\$58,800	\$156,800	\$98,000
More than 10 hours	\$150	\$100	<b>\$250</b>	\$250	67%	315	\$47,250	\$78,750	\$31,500
20+ concurrent sessions w/in a course (?)	\$150	\$100	<b>\$250</b>	\$250	67%	0	\$0	\$0	\$0
	*Existing fee varies based off length of course.						\$469,050	\$744,250	<b>\$275,200</b>