

How to calculate sliding scale fees

The sliding scale we have designed is guided by the principle: that we do not believe sufficient legal representation should pose a severe financial hardship on a family. The sliding scale presented here has two adjustments. Part one, the living wage adjustment, adjusts fees for families who earn less than the regional living wage. The second adjustment, the monthly income adjustment, is intended to make it easier for families to finance their legal fees regardless their current income.

In addition to the principle stated above, we also believe that the administrative burden to a client should be kept at a minimum. All that is required from a client who wishes to apply for a sliding scale is a recent tax return or paystub and information about their household's composition. If a client needs a copy of their tax return they can do so free of charge from the IRS by calling 1-800-829-1040 and requesting a tax transcript.

When a client comes in for a consultation at our firm, the attorneys will complete an assessment that includes a checklist and notes regarding a client's case. This assessment estimates for how many hours a case will be billed (see our article "How to estimate case hours" for a description of this system). Then, a member of the staff uses the client's verified income information and performs the sliding scale assessment.

First Adjustment: Living Wage Adjustment

One group of people who face undue financial hardship when they need to retain legal council are individuals and families who live at or below the living wage. Unlike the poverty level, a living wage accounts for the actual cost of living and purchasing necessary services in a specific region. It is typically higher than the poverty level and many people earning annual incomes at or below the living wage do not qualify for court-appointed attorneys.

To further acknowledge the difficulty families may face in retaining private council, the living wage for our sliding scale has been adjusted to 110% or the Austin area living wage.

	One Adult	One Adult, One Child	Two Adults	Two Adults, One Child	Two Adults, Two Children	For Each Additional Child	For Each Additional Adult
Adjusted Annual Living Wage	\$15,624	\$31,181	\$24,283	\$36,200	\$46,000	\$8,800	\$7,700
Austin Annual Living Wage	\$14,204	\$28,347	\$22,076	\$32,909	\$41,819	\$8,000	\$7,000
HHS Annual Income Poverty Level	\$10,400	\$14,000	\$14,000	\$17,600	\$21,200	\$3,600	\$3,600

Adjusting the total estimated fees for a living wage is fairly straightforward. For every \$1,000 a household's income is below the living wage, deduct 5% from the negotiable amount (see the article "How to calculate a breakeven point" for more information on the negotiable amount). For clients whose income exceeds the living wage, we do not make any adjustments to the fees at this time.

Second Adjustment: Monthly Income Adjustment

Regardless a household's income, very few people save for unanticipated expenses like hiring a private attorney. For these households it may be difficult to find institutions that will lend at a reasonable rate more than the amount of one month's income.

The first step to determining the monthly income adjustment is to find the monthly income by dividing a household's verified annual income by 12. If the fee calculated after the first adjustment still exceeds the client's monthly income then the monthly income adjustment will help reduce this client's fees.

TIP: The next parts of the monthly income adjustment require some more detailed calculations. To help calculate the sliding scale we have also provided a sliding scale worksheet that simplifies the process.

The next few parts of the calculation are numerated below:

- 1) Calculate the percentage that the estimated fees exceed monthly income.
- 2) Divide the found percentage by half.
- 3) Reduce the negotiable amount by this percent.
- 4) Add the remaining negotiable amount to the breakeven point.

Congratulations! You just found the Open Door Initiative adjusted fee!

Conclusion

This sliding scale is designed to adjust for two situations we believe account for the needs of most individuals who seek private counsel for criminal defense, but do so with serious, and very legitimate, financial concerns. The entire process attempts to be transparent and fair to the needs of our firm as well as our clients. However, the specific needs of your firm may call for different types of adjustments depending on your target market.