

Economic Impact on the County of Los Angeles and
the State of California of Funding Cutbacks
Affecting the Los Angeles Superior Court

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Executive Summary

Micronomics, Inc. has been asked to ascertain the economic impact on the County of Los Angeles and the State of California of funding cutbacks affecting the Los Angeles Superior Court. On the basis of our analysis, we have concluded that reductions in funds previously made available to the Los Angeles Superior Court will result in lost court days, courtroom closures, and reductions in operating capacity in the Los Angeles Superior Court system. These reductions, in turn, will result in the following:

- Declines of \$13 billion in business activity resulting from decreased utilization of legal services.
- Additional uncertainty among litigants resulting in approximately \$15 billion in economic losses.
- Damage to the Los Angeles and California economies, including close to \$30 billion in lost output and more than 150,000 lost jobs.
- Lost local and state tax revenue of \$1.6 billion.

Figure 1: Summary of Quantified Economic Losses

	Economic Output Losses (\$ Millions)	Employment Losses (Jobs)	State and Local Tax Losses (\$ Millions)
Immediate Losses	\$1,086.6	5,103	\$44.3
Legal Services Losses	12,978.1	69,052	696.7
Litigation Duration Impact	14,922.6	81,268	872.6
TOTAL	\$28,987.3	155,423	\$1,613.6

Background

The Los Angeles Superior Court (“LASC”) faces funding cutbacks that will result in annual budget deficits between \$79 million and \$140 million through 2012-2013. These cutbacks will force LASC to reduce operations. Initial funding cuts have caused the entire LASC to close the third Wednesday of every month. Future cutbacks will result in courtroom closures, staff layoffs, and significant reductions in LASC operating capacity. The economic impact of these reductions, which will be felt throughout the County of Los Angeles and State of California, is the subject of this analysis.

The Los Angeles Superior Court

LASC is the nation’s largest trial court system. It operates 605 courtrooms and employs approximately 5,400 people in 12 districts and 50 locations in Los Angeles County.¹ LASC is responsible for handling some of the most complex civil cases in the country, including matters ranging from small claims to disputes involving significantly more than \$25,000 in damages; LASC also handles family law cases, criminal cases, juvenile, probate and mental health cases, and traffic violations.²

During the 2006-2007 fiscal year, more than 2.8 million cases were filed with LASC; nearly 2.7 million dispositions were reached.³ Total LASC filings in 2006-2007 accounted for approximately 30 percent of filings statewide; the next-largest superior court system in California, Superior Court of California – County of Orange, received less than one-fourth as many filings (see Figure 2).⁴

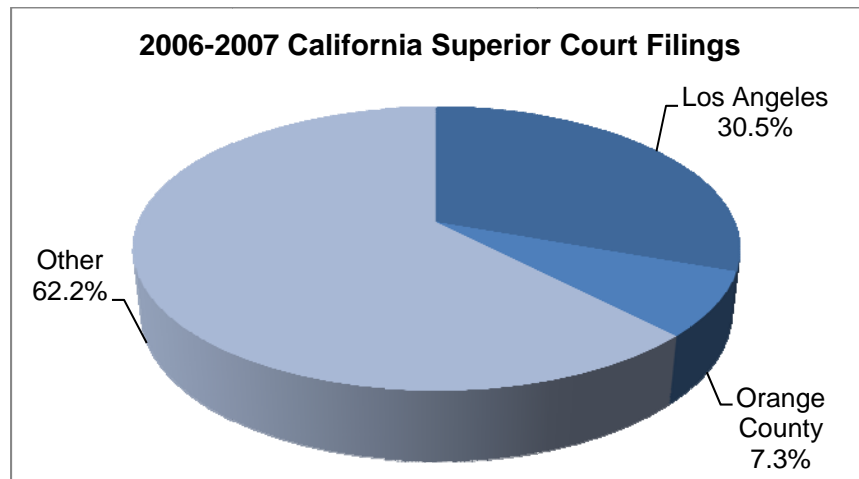
¹ “Responding to Fiscal Emergency, Los Angeles Superior Court to Close One Day Per Month,” LASC Press Release, May 19, 2009. LASC website (www.lasuperiorcourt.org).

² LASC website (www.lasuperiorcourt.org).

³ Judicial Council of California, Office of Court Research, Judicial Branch Statistical Information System.

⁴ *Ibid.*

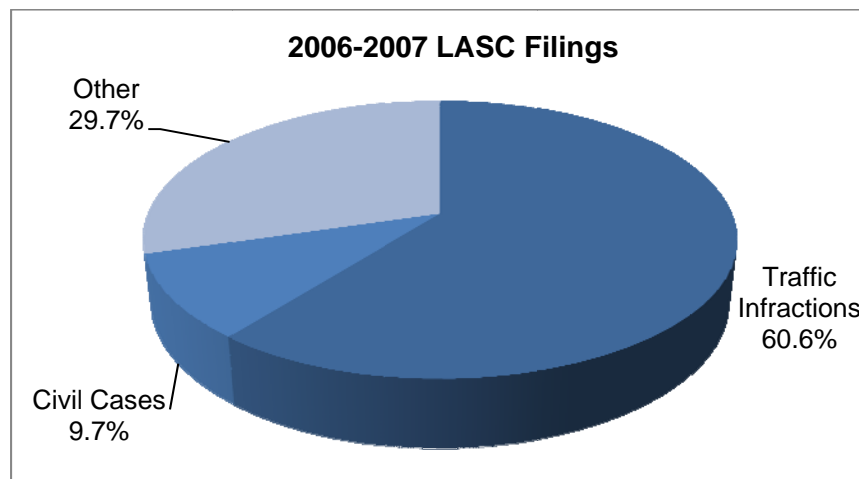
Figure 2: Case Filings in California Superior Court Systems



Over the past decade, total LASC filings have grown at an annualized rate of approximately one percent. Similar growth rates have been experienced across all categories, so the composition of LASC filings has remained approximately constant since 1997-1998. The largest categories of cases have involved traffic and civil.

Of the 2.8 million LASC case filings in 2006-2007, approximately 280,000 were civil cases.⁵ Figure 3 illustrates the breakdown of LASC filings.

Figure 3: 2006-2007 Case Filing Types in LASC



Cases are disposed of (“case dispositions”) either through adjudication or settlement. Since 1997-1998, LASC annual dispositions have declined by approximately 2.5 percent.⁶ The number of total

⁵ *Ibid.* Civil cases defined to include: Civil Limited; Auto Tort Unlimited; Other PI/PD/WD Civil Unlimited; Other Civil Complaints; Civil Appeals; Small Claims; and Small Claims Appeals.

⁶ *Ibid.*

dispositions in 2006-2007 was less than 2.7 million, of which approximately 275,000 were civil cases.⁷

The relationship between case filings and case dispositions is reflected in the “caseload clearance rate,” which measures the ratio of dispositions to filings.⁸ A clearance rate of 1.0 indicates that the volume of case dispositions equals case filings during a given time period. A rate greater than one indicates more cases are disposed of than filed; a rate lower than one indicates more filings than dispositions. Caseload clearance rates reflect courts’ ability to handle demand. In recent history, civil litigation caseload clearance rates have been approximately 1.0, though, as discussed in later sections of this report, that figure will decline with funding cutbacks.

LASC Funding and Operating Capacity

LASC depends on funds provided by the State of California. The difference between LASC funding and operating costs is represented by LASC budget surpluses (when funding exceeds costs) and budget deficits (when costs exceed funding). Though LASC can retain surpluses from one year to apply to future years’ costs, LASC cannot continually operate with budget deficits.⁹ Hence, funding shortfalls relative to anticipated operating costs in future years necessitate reductions in LASC operations. When LASC operations are reduced, LASC loses capacity to bring about timely case dispositions.

The relationship between funding cutbacks and LASC operating capacity, however, is not linear. Relatively small cutbacks significantly affect operations, and every additional dollar of cutback experienced by LASC will impact operations more severely than the prior dollar’s loss. This is due to the operational complexity of LASC. The complexity stems from, among other things, LASC’s size, the breadth of its responsibilities, statutory requirements to which it is bound, various labor union agreements with its employees, and its hybrid centralized/decentralized functional organization structure.¹⁰

Since approximately half of LASC funding is earmarked for specific statutory uses, LASC is limited in its ability to pare costs. Even modest funding cutbacks can have significant effects since LASC cannot cut costs evenly across its operations.

⁷ *Ibid.*

⁸ LASC caseload clearance rate in 2006-2007 was 0.92. With respect to civil litigation, LASC caseload clearance rate in 2006-2007 was 0.99 (Judicial Council of California, Office of Court Research, Judicial Branch Statistical Information System).

⁹ LASC has retained budget surpluses in prior years. Its current reserve is approximately \$109 million. All anticipated consequences of funding cutbacks reflect use of this reserve to minimize operational losses.

¹⁰ Some functional tasks like records management are generally centralized and occur in a single location; other functional tasks like case processing must be handled at the various courthouses. Moreover, not all courthouses hear all types of cases. For instance, “dependency” cases are all heard at only a single courthouse.

LASC's union agreements also bear on the impact of funding cutbacks because initial layoffs must involve the most junior employees. These employees tend to be concentrated in traffic-related services, meaning that any layoffs would come perhaps exclusively from operations relating to traffic. Since this loss could not be absorbed, it would be necessary to reallocate staff from other operating segments to mitigate the effect. Senior employees with specialized knowledge and experience would be moved to areas such as traffic. This reallocation would tend to limit the value of their specialized knowledge and cause their overall contributions to operating capacity to be reduced.

Services relating to traffic infractions are responsible for generating substantial revenue for the state in the form of fees and fines. Among other things, this revenue allows the State of California to maintain its credit rating, which affects its ability to obtain credit and the interest rates it pays.

A further complication rests in the centralized/decentralized organizational structure of LASC. The reallocation of employees often requires transfer from one geographic location to another. Each such transfer produces further disruption, meaning that the impact on operating capacity is greater than suggested by layoff figures alone.¹¹

Similarly, operating capacity losses do not scale proportionately with courtroom closures. When a courtroom closes, employees must be reallocated. Senior employees working in the closed courtroom would be reassigned, while junior employees working elsewhere would be laid off. The effects of closure ripple throughout the LASC system and thus cause greater disruption than that suggested solely by the percentage of total courtrooms lost.

Although these complexities can make capacity losses associated with funding cutbacks difficult to estimate in the LASC environment, it is possible to measure these losses in terms of physical court facilities. "Courtroom operating days" is the product of the number courtrooms operated by LASC and the number of days each is operated during a given period. For example, LASC's 605 courtrooms operate 247 days during a typical year, so the courtroom operating days figure is 149,435. Any reductions in either the number of operating days or courtrooms would result in a loss of courtroom operating days and thus LASC operating capacity. This measure provides a conservative but appropriate proxy for LASC operating capacity that can be linked to anticipated budget cutbacks. The measure also can be tested against historical experience at LASC to gauge its relationship with caseload clearance rates.

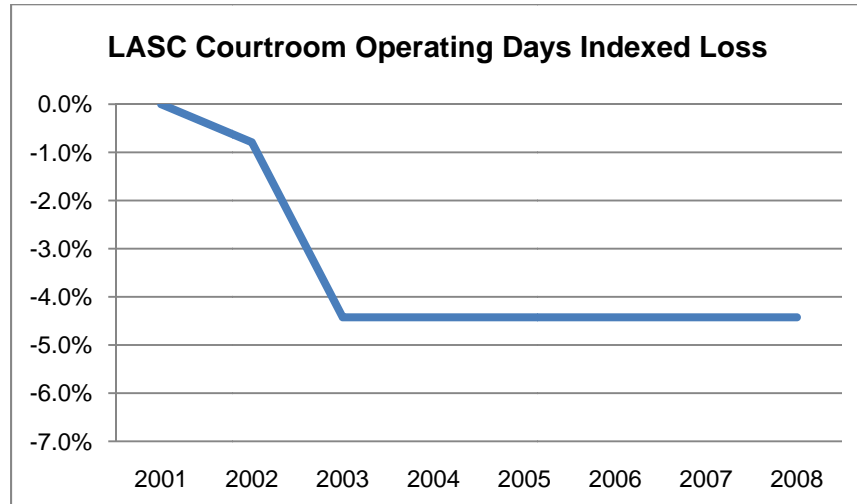
In November 2002, in the face of a budget deficit, LASC was forced to curtail operations. Of 633 courtrooms operated in the LASC system at the time, 29 were closed.¹² The percentage loss was 4.6 percent (see Figure 4). Average caseload clearance rates declined approximately 4.8 percent following the closures. In other words, a loss of one percent in courtroom operating days was associated with a greater loss in caseload clearance rates. For the reasons discussed above, caseload

¹¹ The vastly disruptive nature of such employee reorganization is well documented. See, for example: Bowman, Edward H. and Harbir Singh. "Corporate Restructuring: Reconfiguring the Firm," *Strategic Management Journal*, Vol. 14, 5-14 (1993).

¹² At present, 605 courtrooms are operated by LASC.

clearance rates would decline at an even greater pace with larger percentage losses of courtroom operating days.

Figure 4: Indexed Loss of LASC Courtroom Operating Days, 2001-2008



Anticipated Funding Cutbacks and LASC Capacity Losses

Funding cutbacks affecting LASC during fiscal years 2009-2010 through 2012-2013 are anticipated to result in annual LASC budget deficits of no less than \$79 million, graduating up to approximately \$140 million (see Figure 5). Cumulative workforce loss projections indicate layoffs of nearly 500 individuals in 2009-2010 and approximately 1,800 by 2012-2013. Further, 43 criminal courtrooms and 139 civil courtrooms will close by 2012-2013 (see Figure 6).

Figure 5: Anticipated Annual LASC Budget Deficits

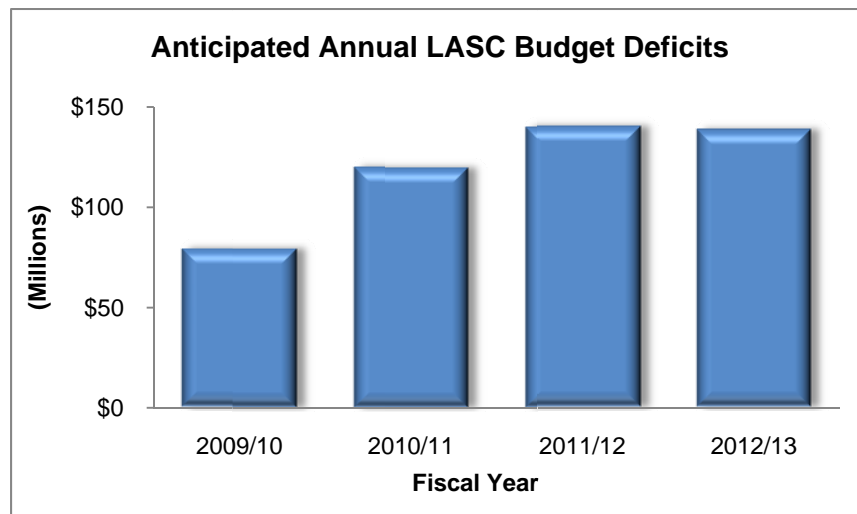
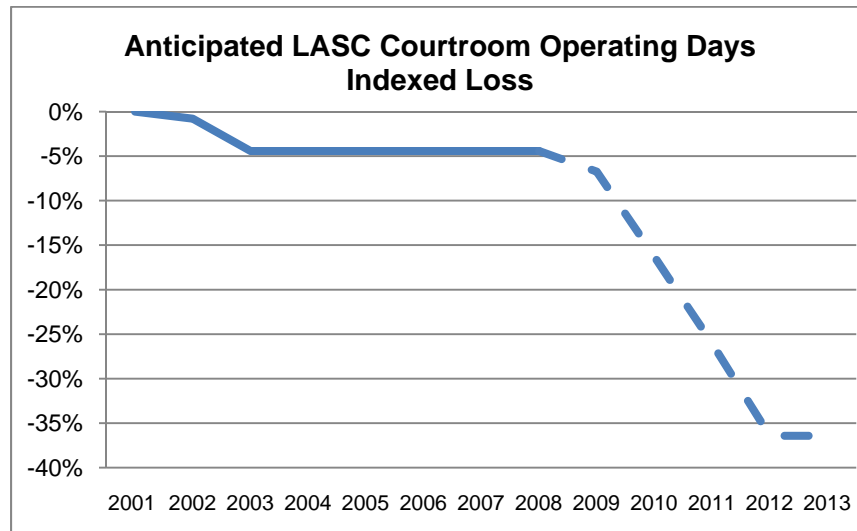


Figure 6: Impact of Funding Cutbacks on LASC Employment and Courtroom Operations

<i>Impact of Funding Cutbacks on LASC</i>				
Fiscal Year	2009/10	2010/11	2011/12	2012/13
Budget Deficit (\$ Millions)	\$79.3	\$120.0	\$140.4	\$138.9
Cumulative Layoffs	485	1,141	1,827	1,827
Cumulative Courtroom Closures	48	113	182	182

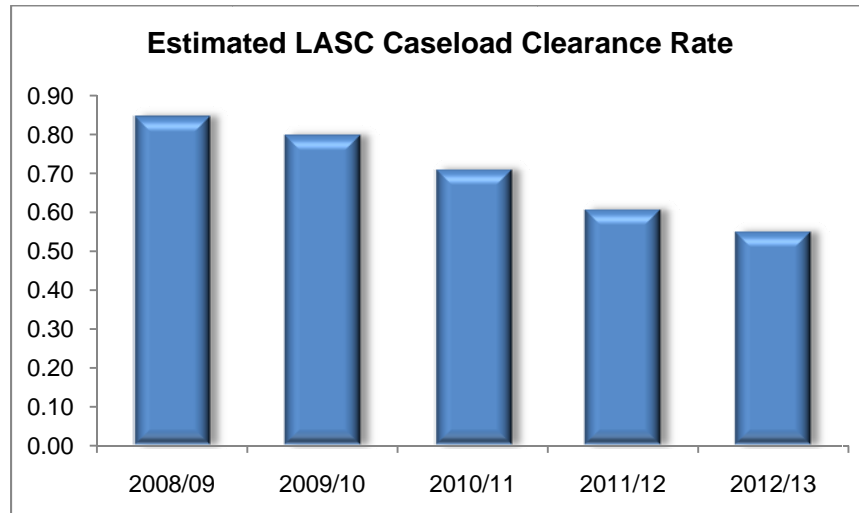
Anticipated layoffs represent roughly one-third of LASC personnel, and the closure of courtrooms would reduce LASC operated courtrooms by approximately 19 percent by 2011 and 30 percent by 2012 (see Figure 7).

Figure 7: Indexed Loss of LASC Courtroom Operating Days, 2001-2013



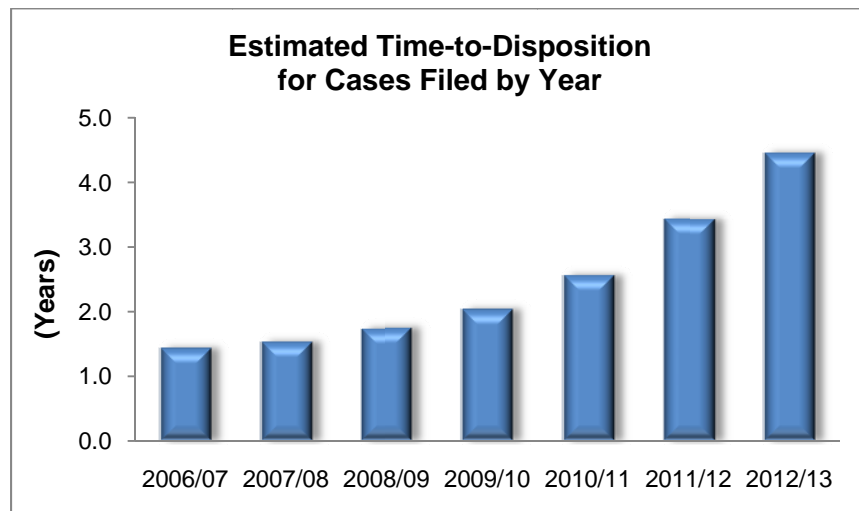
These reductions will significantly impact LASC’s ability to dispose of cases in a timely manner. Based upon the observed relationship between lost LASC courtroom operating days and average caseload clearance rates, clearance rates are expected to fall by no less than 19 percent by 2011 and by no less than 30 percent by 2012 (see Figure 8). The impact will be disproportionately large with respect to civil cases given that 139 of the total 182 courtrooms to be closed are civil courtrooms. Civil caseload clearance capacity is expected to fall by no less than 35 percent by 2013. Despite the relatively large impact to civil operations, our analysis of economic losses due to funding cutbacks relies on percentage courtroom day losses across all operations. Hence, we are conservative in estimating economic harm since civil operating cuts will be disproportionately large and much of the economic losses derive from reductions in civil operations.

Figure 8: LASC Caseload Clearance Rates, 2009-2013



Caseload clearance rate losses can be used to estimate increases in the number of pending cases and thus increases in the duration of time between case filing and disposition. As caseload clearance rates decline, there are fewer case dispositions relative to filings during a given period, so more cases remain pending. As the number of pending cases increases, the backlog of cases to be disposed of grows, causing the average amount of time between filing and disposition to increase. Given the anticipated losses, the average time between filing and disposition will increase by more than 150 percent (see Figure 9). For cases filed in 2012-2013, the average time-to-disposition will be nearly four-and-a-half years. Significantly, due to the disproportionate impact of LASC capacity losses on civil litigation, civil case time-to-disposition is expected to increase even more.

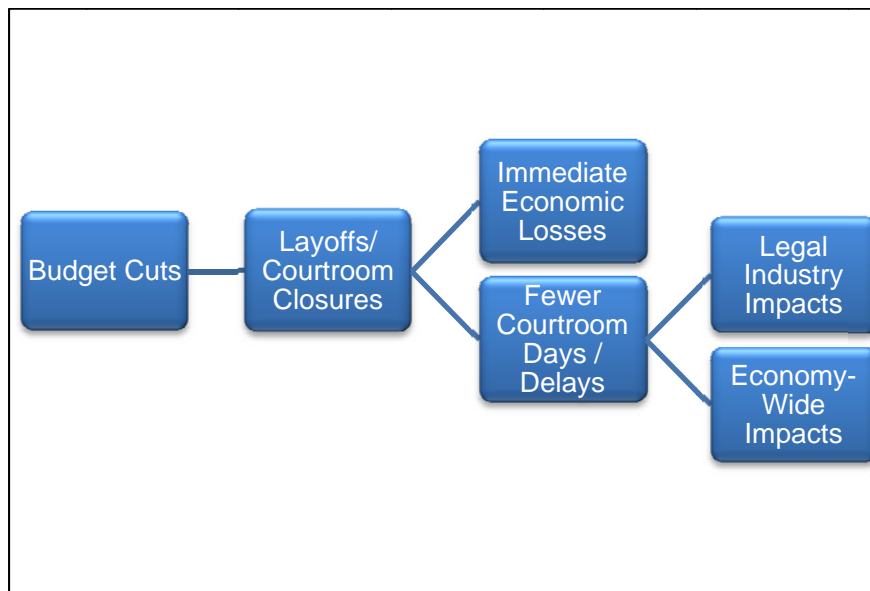
Figure 9: LASC Time-to-Disposition, 2007-2013



Economic Impacts of Funding Cutbacks

The economic impacts of funding cutbacks affecting LASC include damages stemming directly from the cuts (e.g. employment losses at LASC) as well as derived damages flowing from losses in LASC operating capacity (see Figure 10). Areas of economic harm include employment, wages, economic output, and tax revenues in both Los Angeles and California. Losses will persist at least until funding and operating capacity are restored. In addition, there may be long-term structural consequences for the Los Angeles and California economies that are unlikely to be remedied immediately upon restoration of LASC funding and capacity.

Figure 10: Graphical Summary of Economic Impacts of Funding Cutbacks



Immediate Damage from Funding Cutbacks

We have used economic multiplier models to estimate output reductions directly associated with LASC funding reductions and layoffs (separate from losses associated with lost LASC capacity). These models reflect the relationship between inputs and resulting economic outputs. Models using economic multipliers recognize the impact an increase or decrease in economic activity in one sector of the economy can have on economic activity in other sectors.

The Minnesota IMPLAN Group, Inc. compiles data that provide the framework for an economic multiplier model used to measure output losses, employment losses, and tax revenue losses directly from funding cutbacks and reduction in LASC employment. Based on funding cutbacks noted above, over the period 2010 through 2013, initial economic output losses will reach \$1.1 billion and will result in lost state and local tax revenue of more than \$44 million.

Damage from Lost LASC Capacity

Not included in these losses are two forms of economic harm resulting from reduced LASC operating capacity. First, there is a direct link between LASC operating capacity and the market for Los Angeles area legal services. As operating capacity declines, utilization of local legal services will be reduced.

Second, delayed disposition of cases creates uncertainty among affected businesses. The presence of such uncertainty makes businesses less prone to invest and expand operations.¹³ The connection between efficient operation of the judiciary and economic well-being of the community is widely recognized:

- “The importance of legal institutions and governance for economic growth is now relatively well-accepted in the economics profession. The association has been well-demonstrated, both theoretically and empirically.”¹⁴
- “The role of the judiciary is to set up a framework in which the bargaining for property rights follows predetermined rules...and provides a clear and quick decision in cases of doubt.... [T]he anticipated future enforcement of rights is extremely important for current decisions, contracts, and future activities of all participants.”¹⁵
- “Judicial slowness may reduce incentives to start businesses by deteriorating the security of property rights. It may also limit possibilities of obtaining loans. Finding ways to speed up judiciaries is thus fundamental to economic growth.”¹⁶
- “The insecurity created by a weak judiciary changes economic behavior in two ways. First, the overall cost structure of the economy increases.... Increased collateral to make up for the risk associated with the poor enforcement of property rights increases the consumer price.... Second, not all risk can be covered by higher premiums. If the risk is considered too high, certain transactions simply do not take place.”¹⁷

Losses Due to Reduced Business Activity in the Legal Services Industry

Since legal work often is clustered around settlement or adjudication of pending cases, as case processing and disposition are delayed, less legal work results.¹⁸ Further, entities engaged in litigation, with funds, attention and other resources tied up in the process, are more constrained in

¹³ Bloom, Nicholas. “The Impact of Uncertainty Shocks,” *Econometrica*, Vol. 77, No. 3 (May 2009), pp. 623-685.

¹⁴ Cross, F.B. “Law and Economic Growth,” *Texas Law Review*, 80 (2002), pp. 1737-1775.

¹⁵ Kohling, W.K.C. “The Economic Consequences of a Weak Judiciary,” Center for Development Research, University of Bonn (2002).

¹⁶ Chemin, Matthieu. “The Impact of the Judiciary on Entrepreneurship: Evaluation of Pakistan’s ‘Access to Justice Programme’,” *Journal of Public Economics*, 93 (2009), pp. 114-125.

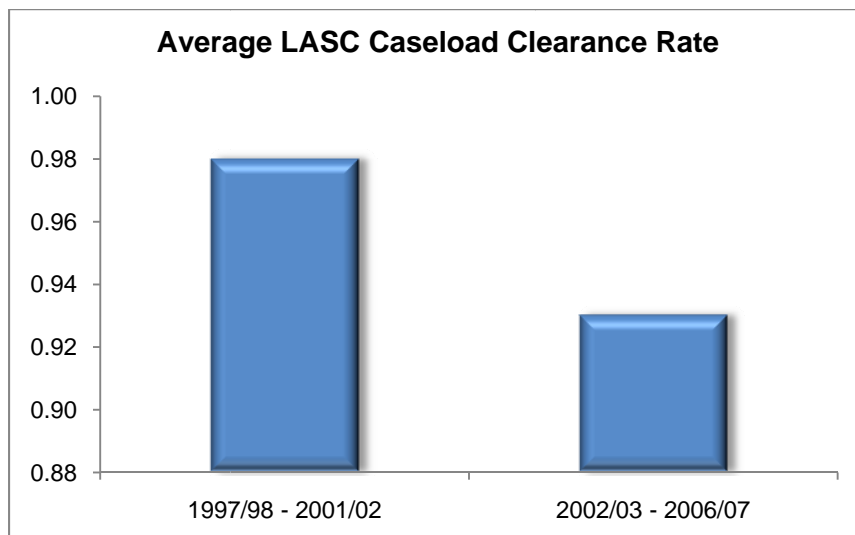
¹⁷ Kohling, W.K.C. “The Economic Consequences of a Weak Judiciary,” Center for Development Research, University of Bonn (2002).

¹⁸ Spier, Kathryn. “The Dynamics of Pretrial Negotiation,” *The Review of Economic Studies*, Vol. 59, No. 1 (Jan. 1992), pp. 93-108.

their ability to invest and expand or bring on additional litigation than similarly situated parties that are not so engaged. Delays lengthen the duration of litigation and thus reduce the number of “free” parties able to dedicate resources to new matters.

The impact of LASC operating capacity losses on caseload clearance rates was observed following courtroom closures in November 2002. During fiscal years ended 1998 through 2002 (i.e. immediately prior to the closures), the annual LASC caseload clearance rate averaged 0.98. For fiscal years following the closures through 2007, the caseload clearance rate fell to 0.93, equaling a loss of approximately 4.8 percent (see Figure 11).

Figure 11: LASC Average Caseload Clearance Rates, 1998-2002 and 2003-2007

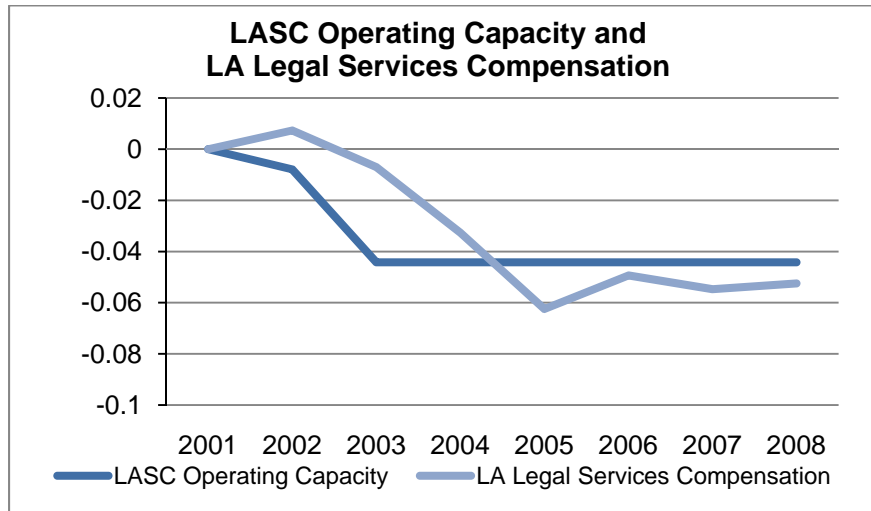


Losses in caseload clearance rates reflect a reduction in the ability of LASC to service demand. This reduction affects legal services.

Figure 12 illustrates the relationship between changes in LASC operating capacity and Los Angeles legal services compensation. Lacking direct measures of law firm revenue at the county level, compensation is used as a proxy for revenue since the two track one another closely in legal services.¹⁹

¹⁹ In a professional services industry like legal services, compensation is an appropriate proxy for revenue generation. Legal services firms have relatively little capital expense, and revenue is tied directly to labor utilization since attorneys typically bill for their services by the hour.

Figure 12: LASC Operating Capacity and Los Angeles Legal Services Compensation



In order to measure the impact of the budget cuts in 2002, including closing 29 courtrooms, law firm compensation in Los Angeles County was indexed to 2001 and compared with indexed compensation for legal services both nationally (see Figure 13) and in New York County, Cook County (Chicago), Harris County (Houston), and Philadelphia County (see Figure 14). Relative to both benchmarks, compensation for Los Angeles legal services exhibited significant shortfalls by 2004; the shortfalls continued through 2008, the last period for which data are available.

Figure 13: Los Angeles and U.S. Legal Services Compensation

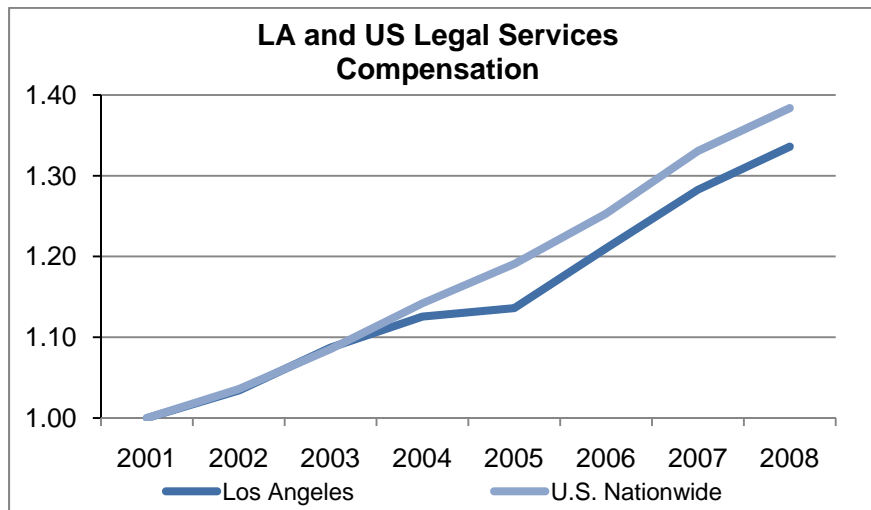
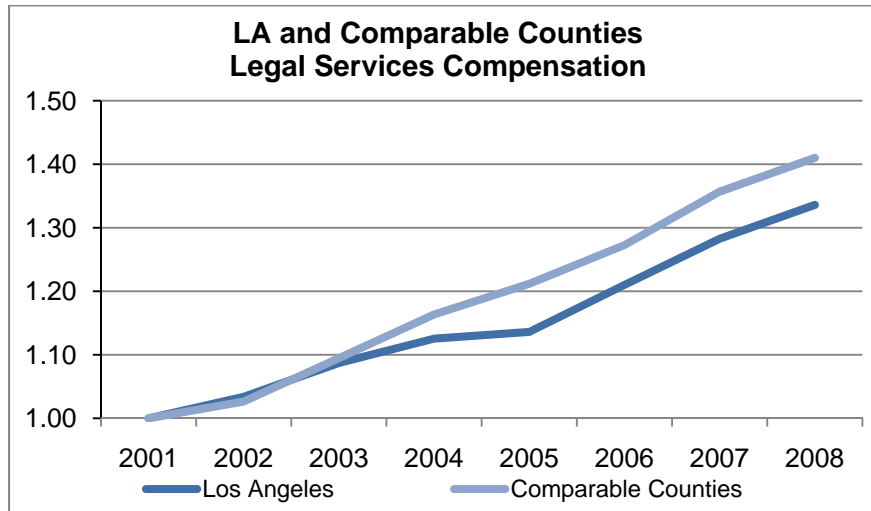
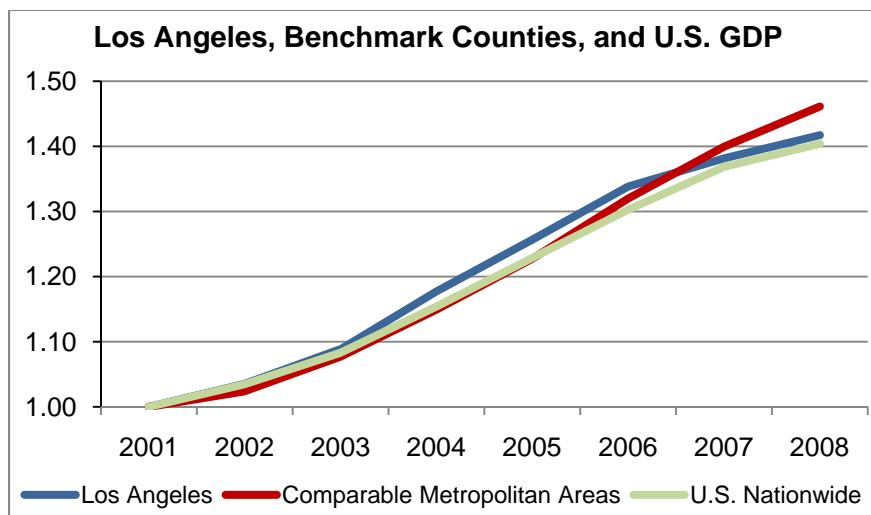


Figure 14: Los Angeles and Comparable Counties Legal Services Compensation



To test whether the shortfalls in Los Angeles legal services compensation could be accounted for by generalized slowdowns in the Los Angeles economy relative to the benchmarks, Los Angeles indexed GDP was compared with indexed U.S. and comparable metro area GDPs (see Figure 15). Los Angeles GDP outperformed U.S. GDP growth over the period and was consistent with comparable metro area performance. Hence, the shortfall in Los Angeles was not associated with a generalized economic slowdown in Los Angeles relative to the benchmark areas. The analysis instead suggests the cause was “economically proximate” to legal services. This is consistent with what would be expected if LASC capacity losses were the cause of lost legal services compensation. Indeed, we have examined other markets and found similar relationships between disruptions in court operations and legal services compensation.

Figure 15: Los Angeles, Benchmark Counties, and U.S. GDP



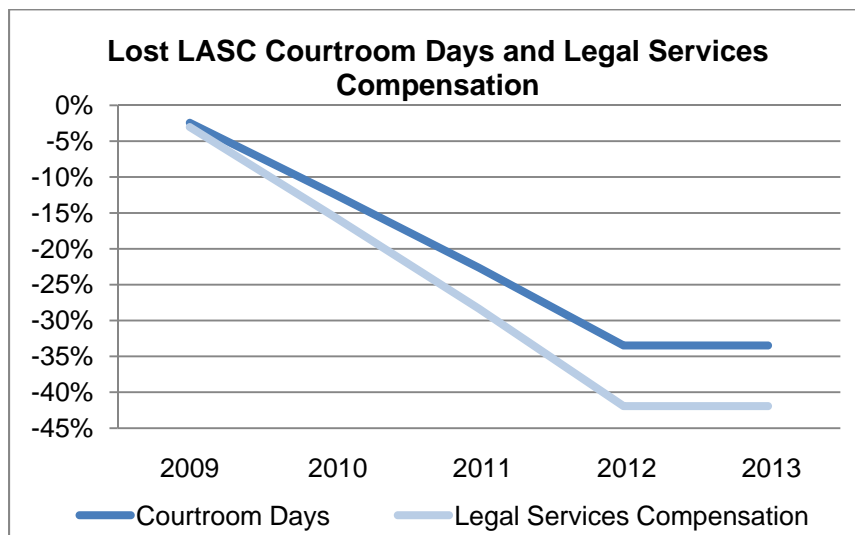
The lag between LASC capacity losses and legal services compensation makes intuitive sense. A reduction in court capacity would not be expected to immediately reduce the utilization of legal

services, but would take some time to work through the system. At first, attorneys and litigants would not alter their behavior since the impact of courtroom closures on overall LASC operating capacity and the length of time to dispose of cases would not be immediately apparent. Only after the capacity and delay effects had been observed would attorneys and litigants begin to adjust their behavior.

A second element explaining the delay between LASC operating capacity losses and observed losses in legal services compensation is embedded in the relationship between legal services revenue and compensation. Absent a clear expectation of revenue declines, law firms would not immediately freeze wages, forestall hiring, or reduce payroll. Those effects would not begin until revenue losses from a prior period had been realized. This adds to the lag between capacity losses and law firm compensation changes.²⁰

The next step in the analysis involved using the experience of the 2002 LASC capacity losses to estimate the impact currently anticipated LASC losses will have on Los Angeles law firm compensation. On average, a one percent decline in LASC operating capacity has been associated with approximately a 1.25 percent decline in law firm compensation. Figure 16 summarizes the relationship through 2013.

Figure 16: Lost LASC Courtroom Days and Legal Services Compensation, 2009-2013



Translated into dollars, Los Angeles legal services compensation losses equal approximately \$6.3 billion. Los Angeles legal services revenue would be expected to decline by at least this amount through 2013. Using a similar economic multiplier model, the economic output losses, employment losses, and tax revenue losses deriving directly from lost legal services demand were estimated. Over the period 2010 through 2013, these losses will equal nearly \$13.0 billion in lost economic output, more than 69,000 eliminated jobs, and forgone tax revenue of \$697 million.

²⁰ Any implementation lag at the LASC level also would contribute to delays between LASC operating reductions and impacts in legal services.

Costs of Economic Activity Forgone Due to Civil Delays

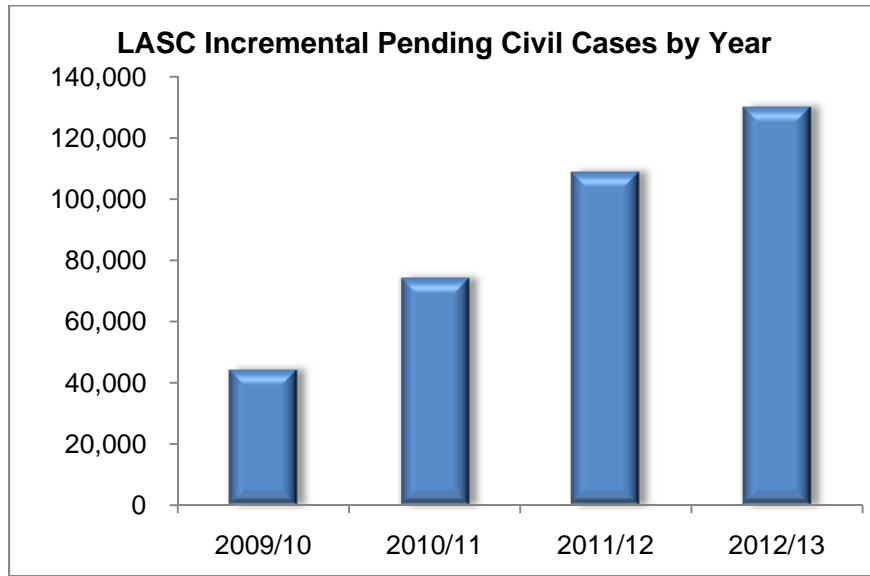
A separate category of loss stems from the increased duration of litigation resulting from lost LASC operating capacity. Litigants do not know the outcome of their dispute until it is resolved. Until then, they operate in the presence of uncertainty, the effect of which is commensurate with the amount at issue. For example, a dispute between a supplier and purchaser in which the supplier believes the purchaser owes \$100,000 leaves both supplier and purchaser uncertain as to which party will retain the \$100,000 after disposition. The purchaser cannot invest the \$100,000 in new equipment since it may have to pay the supplier upon settlement or adjudication. Likewise, the supplier cannot hire new employees with the \$100,000 because it does not have the money in hand and because it may never receive the money. Both parties are thus constrained.

More generally, resources at issue between litigants are removed from circulation until disputes are resolved. When the duration of litigation is increased, the total amount at issue at a given point in time is increased and is not fully available to any of the litigants.

The average sum in dispute in civil cases was estimated at \$245,000, which reflects median jury trial awards in LASC civil cases in 2005.²¹ If LASC civil case clearance is reduced following budget cutbacks, the number of civil cases pending at any one time will increase significantly. As caseload clearance rates decline, fewer dispositions relative to filings occur in a given period. This causes the number of pending cases in subsequent periods to rise. For example, if the caseload clearance rate declines from 0.9 to 0.8 per 100 filings, the number of cases still pending at the end of the period (and then carrying over to the next period) increases from 10 to 20. Figure 17 summarizes civil cases pending by year through 2013.

²¹ Bureau of Justice Statistics, Civil Justice Survey of State Courts, Median Final Damage Awards for Plaintiff Winners in Jury and Bench Trials, by Sampled Counties, 2005. Use of the median is conservative since studies indicate that average awards have exceeded median awards at LASC (See: Crockett, Robert D. and Jonathan M. Jenkins, "Taking It to the Bank," *Los Angeles Lawyer*, September 2001, pp. 47-52. "Civil Justice Survey of State Courts, 1992, Civil Jury Cases and Verdicts in Large Counties," Bureau of Justice Statistics Special Report. "Civil Justice Survey of State Courts, 1996, Civil Trial Cases and Verdicts in Large Counties, 1996," Bureau of Justice Statistics.).

Figure 17: LASC Incremental Pending Civil Cases by Year, 2010-2013



Assuming that the average amount disputed in each case remains constant, total dollars at issue at any point in time will increase dramatically relative to 2006-2007. The incremental amounts in dispute will generate significant economic losses. Specifically, because the funds at issue cannot be invested in their highest and best use, a loss results that can be estimated as the difference between the likely return associated with optimal investments and the return from risk-free investments (when disputed resources are unavailable for optimal use).

We have measured damages associated with delays in dispute resolution as the difference between a normal return on these assets (i.e. which allows for risk and illiquidity) and a relatively low risk-free return. This reduction in return exceeds \$7.1 billion through 2013. Using an economic multiplier model, associated economic output losses amount to approximately \$15.0 billion, with more than 81,000 jobs eliminated and \$873 million in lost tax revenue.

Summary of Quantified Elements of Damage

Total economic losses stemming from LASC funding cutbacks include close to \$30 billion in economic output, more than 150,000 jobs, and \$1.6 billion in state and local tax revenue. Losses are summarized in Figure 18.

Figure 18: Summary of Quantified Economic Losses

	Economic Output Losses (\$ Millions)	Employment Losses (Jobs)	State and Local Tax Losses (\$ Millions)
Immediate Losses	\$1,086.6	5,103	\$44.3
Legal Services Losses	12,978.1	69,052	696.7
Litigation Duration Impact	14,922.6	81,268	872.6
TOTAL	\$28,987.3	155,423	\$1,613.6

These figures do not fully account for structural changes in the Los Angeles economy brought about by LASC funding cutbacks. As confidence in LASC for dispute resolution erodes, the choice will be to continue to operate in Los Angeles, a region of relatively high uncertainty, or to move to locations where greater certainty exists. Even a small flight of economic entities from the LASC jurisdiction would have significant consequences for the Los Angeles economy. For example, if only five percent of local economic activity were removed from Los Angeles and went out of state, annual California output losses would exceed \$104.1 billion, and job losses would reach beyond 560,000. Associated annual local and state tax revenue losses would exceed \$6.0 billion. Restoring LASC funding and operating capacity following several periods of shortfalls would not immediately remedy these economic consequences.

The foregoing analysis considers only LASC. Impacts in other jurisdictions will increase overall economic harm throughout the state.

Conclusion

Significant economic harm to Los Angeles and the State of California will result from funding cutbacks affecting LASC. These effects will persist at least until funding and operations are restored. At a minimum, funding cutbacks will cause immediate output and employment losses associated with the funding cutbacks themselves and ancillary output and employment losses deriving from reductions in LASC operations.

Total economic impacts through 2013 associated with funding cutbacks affecting LASC are estimated to be:

- Close to \$30 billion in lost economic output, including losses of \$13 billion resulting from decreased legal services and \$15 billion associated with additional uncertainty on the part of litigants.
- Approximately 150,000 lost jobs.
- \$1.6 billion in forgone state and local tax revenue.

About Micronomics

Micronomics is an economic research and consulting firm engaged in the application of price theory, analysis of issues relating to resource allocation, and assessment of real-world problems requiring practical and sound solutions. Micronomics focuses on industrial organization, antitrust, intellectual property, the calculation of economic damages, employment issues, and the collection, tabulation and analysis of economic, financial and statistical data. Clients include law firms, publicly and privately held businesses, and government agencies.

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