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The State of Rates

Starting a law firm during a recession may not be easy, but Ralph Perez, a bankruptcy lawyer in Corpus Christi did just that after obtaining his Texas law license in November 2008.

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Texas Lawyer

10-01-2012

Starting a law firm during a recession may not be easy, but Ralph Perez, a bankruptcy lawyer in Corpus Christi did just that after obtaining his Texas law license in November 2008.

"I started a virtual practice and set up out of my house," he says. "It allowed me to save a lot of overhead and pocket a lot of profit. I settled on a flat \$100 per hour when I started."

Perez raised his rate to \$125 an hour in 2009. By 2010, when his business had doubled as a result of marketing through social media and attending social media events, he raised his hourly fee to \$175 and hired an administrative assistant who worked from her home.

In December 2010, he began handling bankruptcy cases, on a contract basis, for bankruptcy lawyer Viviana Cavada of the Cavada Law Office in Corpus Christi. Perez bought the Cavada Law Office in Corpus Christi in June 2011, when Cavada opened a Fort Worth office. Now Perez has an office in a commercial building with eight nonlawyer employees. He charges flat fees for consumer bankruptcies and hourly fees for business bankruptcies. He also handles some immigration law and represents nonprofits.

He plans to change the name of the firm to the Perez Cavada Law Office in 2013, but he does not plan to increase his hourly billing rate, which is now \$250.

Texas lawyers in firms of all sizes have incrementally increased their billing rates since 2008, according to *Texas Lawyer's* annual Salary and Billing Survey. [See *related charts, pages 19-21.*] Compared to 2008, billing rates have increased the most for non-equity partners (24.3 percent) and first-year associates (25.7 percent). [See "*Hourly Billing Rates, Then and Now,*" page 19.]

"Firms are trying to define, in essence, what the market will bear," says Geary Reamey, a law professor who teaches law practice management at St. Mary's University School of Law in San Antonio. During the economic downturn, overhead costs, such as health care expenses, continued to grow, he says. Consequently, billing rates have continued to climb, he says. "The tendency is always to increase a little bit if you can," he says.

Reamey says the higher increase in non-equity partner rates makes sense as firms try to hold on to experienced lawyers. And although clients have complained in recent years about paying to train first-year associates, Reamey says firms likely are competing for the best entry-level lawyers they can find and so are increasing salaries and the billing rates that support those salaries.

"When leveraging people, they're doing it with an eye toward taking profits from each one of those people, which eventually will go to investments in the firm in terms of capital improvements, or increasing staff, or buying new equipment or ultimately to go into the draws that the equity partners take," Reamey says.

He says the downturn in the economy, increased competition in the legal market and clients' concerns about costs have led to uncertainty when lawyers are trying to establish fees and predict firm revenue. Several years ago, experienced lawyers could predict firm profitability by forecasting their collection rates on their anticipated billable hours, Reamey says. "They could make a pretty good guess about profitability, but that's increasingly just not possible," he says. Clients now ask firms to bid on work and ask for alternatives to traditional hourly billing rates, which increases the risk lawyers take when setting fees, he says.

Perez says when he launched his practice in 2008 he talked to bankruptcy lawyers in Corpus Christi and San Antonio about their hourly fees. Based on those conversations, he set his initial fee at \$100 per hour. He has increased his hourly rate each year since.

"If it's a bankruptcy, I rarely see something I haven't drafted before," he says. "Now I'm editing, amending and tweaking, rather than drafting from the beginning. It's a higher rate because it doesn't take as long."

Alternative Arrangements

Three veteran litigators took a different approach to setting fees when they launched Buether Joe & Carpenter in the middle of the recession. When the patent and commercial litigation firm opened in Dallas in February 2010 it had three lawyers — Chris Joe, Eric Buether and Brian Carpenter, all formerly with Greenberg Traurig — one paralegal and two support staff members. The strategy was to take advantage of small-firm overhead and offer clients lower rates than the lawyers charged when they were with Greenberg, says Joe, who is the managing member of the firm. Buether Joe now has four associates, three paralegals and five support staff members, he says.

Joe declines to discuss his firm's specific hourly rates, but he says, "We're generally cognizant of the rates of various other firms in the area and nationwide that do the same type of work we do. We try to stay under those rates."

The firm did not increase its hourly rates in 2011 or 2012 because the rates covered firm costs and generated reasonable profits, says Buether. "We may consider an increase in 2013 to keep up with health care costs and other overhead," he says.

When the firm opened, the lawyers primarily handled defense work by the hour, but added plaintiffs contingent-fee cases to have a mix of revenue streams and to better understand how the plaintiffs side of the docket thinks, says Buether. "We think we are better lawyers for understanding both sides," he says. "We see it as a financial positive and a practice positive."

Now, about 70 percent of the firm's cases are billed on a contingent-fee basis, Joe says.

Criminal-defense lawyer Laurie Key of Lubbock launched her solo practice in 2002. She determined her retainers and her flat fees by talking with lawyer friends who also practiced criminal law. "We're such a small community with about 800 attorneys here," she says. "People are willing to help out and show you around."

Key declines to share her rate structure, but says her revenue is based on flat fees and retainers. Over the past few years, she says she has increased those fees.

"I really try to evaluate after every year and see how many cases I had for that year," she says. "If there are substantial increases in those numbers, then I go up on my fees just because I cannot handle more cases."

Since opening her firm, Key has employed the same full-time staff person who is a "clerk, receptionist and everything else," she says. She says she occasionally has hired interns who are students at a local paralegal school or at Texas Tech University School of Law, her alma mater.

The slower economy of the past few years resulted in more legal work, Key says. "When you see economic downturns, there are more people committing crimes," she says.

Key says she would like to add partners to the firm and diversify into other practice areas. "We have people walk in all the time with personal injury or family law issues," she says. "I'm afraid we're losing out on quite a bit of work. I can see this office moving into a small, boutique kind of firm."

Each year, Texas Lawyer tracks financial trends in the state's legal industry through its Salary & Billing Survey. The resulting report compiles information provided by firms of different sizes and practice areas across the state. The firms respond to questions about employees' salaries, billing rates and billable hours.

Due to variations in firms' data-tracking, these results are not definitive, but they do provide valuable comparative information for firm managers and employees. Not all respondents answered each question. A minimum of three responses was required for every category of averaged data. The averages reported are median averages, meaning the data were arranged in ascending order with the

midpoint reported in each category. Using the median number balances out survey responses that might be much higher or lower than what most of the firms reported. The numbers in the percent-change columns are rounded to the nearest 10th of a percent.

The 103 firms that participated in this year's survey have 9,981 lawyers with 4,261 of those lawyers in Texas. The survey results are reported by city and by firm size. The firms with lawyers outside Texas provided salaries and billing rates for their Texas offices.

Firms are divided into four regional categories: Austin/San Antonio, Dallas/Fort Worth, Houston and other. For the 103 responding firms, the primary Texas locations are as follows: 13 are in Austin/San Antonio, 41 are in Dallas/Fort Worth, 25 are in Houston and 24 are in other cities. The size divisions are firms with 100-plus, 50 to 99, 30 to 49 and fewer than 30 lawyers. Of the 103 responding firms, 12 have more than 100 lawyers, 12 have 50-99 lawyers, 26 have 30-49 lawyers and 53 have fewer than 30 lawyers.

The firms responding to this year's survey also provided 2011 data.

To be added to Texas Lawyer's email survey list, contact research editor Jeanne Graham at jgraham@alm.com.

SURVEY METHODOLOGY

Each year, Texas Lawyer tracks financial trends in the state's legal industry through its Salary & Billing Survey. The resulting report compiles information provided by firms of different sizes and practice areas across the state. The firms respond to questions about employees' salaries, billing rates and billable hours.

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Hours Billed Per Week

	Equity Partner		Percent Change	Non-Equity Partner		Percent Change	Associate		Percent Change	Legal Assistant		Percent Change
	2012	2011		2012	2011		2012	2011		2012	2011	
Survey Median Averages	32.5	32.0	1.6%	33.8	35.0	-3.4%	37.0	37.0	0.0%	30.0	29.5	1.7%
Median Averages By City												
Austin/San Antonio	30.0	32.0	-6.3%	26.9	25.8	4.3%	36.0	34.5	4.3%	32.5	31.5	3.2%
Dallas/Fort Worth	33.0	32.8	0.6%	31.5	30.0	5.0%	39.0	38.0	2.6%	34.6	33.0	4.8%
Houston	35.0	35.0	0.0%	36.3	36.3	0.0%	37.0	37.0	0.0%	29.0	29.0	0.0%
Other	20.0	20.0	0.0%	37.0	37.0	0.0%	35.0	36.0	-2.8%	30.0	30.0	0.0%
Median Averages By Firm Size												
100+	31.8	31.0	2.6%	30.8	33.5	-8.1%	34.0	34.0	0.0%	26.1	25.3	3.2%
50-99	29.9	28.1	6.4%	26.9	25.8	4.3%	36.9	38.0	-2.9%	28.1	24.8	13.3%
30-49	36.0	36.0	0.0%	37.5	37.5	0.0%	39.0	37.5	4.0%	30.0	29.0	3.4%
<30	33.0	35.0	-5.7%	33.0	30.0	10.0%	35.0	35.0	0.0%	35.0	35.0	0.0%

Source: 103 firms.

Hourly Billing Rates

Equity Partner Percent Non-Equity Partner Percent 7th-Year Associate Percent

	Partner		Change	Partner		Change	Associate		Change
	2012	2011		2012	2011		2012	2011	
Survey Median Averages	\$388	\$377	2.9%	\$348	\$336	3.6%	\$290	\$280	3.6%
Median Averages By City									
Austin/San Antonio	\$285	\$285	0.0%	\$355	\$338	5.1%	\$283	\$273	3.7%
Dallas/Fort Worth	\$463	\$459	0.9%	\$380	\$373	1.9%	\$285	\$282	1.1%
Houston	\$388	\$377	2.9%	\$348	\$336	3.6%	\$300	\$290	3.4%
Other	\$289	\$286	1.0%	\$247	\$239	3.3%	\$245	\$245	0.0%
Median Averages By Firm Size									
100+	\$463	\$459	0.9%	\$359	\$358	0.3%	\$304	\$295	3.1%
50-99	\$512	\$459	11.5%	\$475	\$450	5.6%	\$322	\$285	13.0%
30-49	\$360	\$348	3.4%	\$300	\$300	0.0%	\$270	\$260	3.8%
<30	\$290	\$290	0.0%	\$235	\$225	4.4%	\$275	\$275	0.0%

	4th-Year Associate		Percent Change	1st-Year Associate		Percent Change	Senior Legal Assistant		Percent Change
	2012	2011		2012	2011		2012	2011	
Survey Median Averages	\$260	\$250	4.0%	\$220	\$215	2.3%	\$140	\$135	3.7%
Median Averages By City									
Austin/San Antonio	\$245	\$240	2.1%	\$200	\$195	2.6%	\$124	\$117	6.0%
Dallas/Fort Worth	\$268	\$265	1.1%	\$230	\$219	5.0%	\$170	\$165	3.0%
Houston	\$265	\$250	6.0%	\$200	\$200	0.0%	\$143	\$141	1.4%
Other	\$170	\$170	0.0%	\$150	\$150	0.0%	\$90	\$90	0.0%
Median Averages By Firm Size									
100+	\$275	\$270	1.9%	\$235	\$225	4.4%	\$210	\$201	4.5%
50-99	\$278	\$255	9.0%	\$258	\$254	1.6%	\$187	\$175	6.9%
30-49	\$220	\$200	10.0%	\$170	\$165	3.0%	\$130	\$126	3.2%
<30	\$195	\$200	-2.5%	\$213	\$200	6.5%	\$100	\$95	5.3%

Source: 103 firms.

Hourly Billing Rates, Then and Now

	Equity Partner		Percent Change	Non-Equity Partner		Percent Change	7th-Year Associate		Percent Change
	2012	2008		2012	2008		2012	2008	
Survey Median Averages	\$388	\$350	10.9%	\$348	\$280	24.3%	\$290	\$258	12.4%
	4th-Year Associate		Percent Change	1st-Year Associate		Percent Change	Senior Legal Assistant		Percent Change
	2012	2008		2012	2008		2012	2008	
Survey Median Averages	\$260	\$225	15.6%	\$220	\$175	25.7%	\$140	\$125	12.0%

Source: 103 firms in 2012 and 71 firms in 2008.

Timekeepers' Salaries

	7th-Year Associate		Percent Change	4th-Year Associate		Percent Change	1st-Year Associate		Percent Change
	2012	2011		2012	2011		2012	2011	
Survey Median Averages	\$130,000	\$125,520	3.6%	\$120,000	\$115,000	4.3%	\$117,500	\$115,000	2.2%
Median Averages By City									
Austin/San Antonio	\$100,000	\$97,500	2.6%	\$115,000	\$110,000	4.5%	\$130,000	\$130,000	0.0%
Dallas/Fort Worth	\$131,000	\$133,010	-1.5%	\$127,188	\$124,250	2.4%	\$126,000	\$120,000	5.0%
Houston	\$143,000	\$137,000	4.4%	\$135,000	\$130,000	3.8%	\$115,000	\$110,000	4.5%
Other	\$106,738	\$103,952	2.7%	\$97,000	\$97,000	0.0%	\$89,500	\$89,000	0.6%

Median Averages By Firm Size

100+	\$175,000	\$170,000	2.9%	\$151,500	\$146,800	3.2%	\$135,000	\$135,000	0.0%
50-99	\$190,000	\$185,000	2.7%	\$155,000	\$140,000	10.7%	\$132,500	\$130,000	1.9%
30-49	\$129,000	\$125,520	2.8%	\$112,000	\$112,000	0.0%	\$93,500	\$92,500	1.1%
<30	\$108,000	\$105,976	1.9%	\$95,000	\$85,000	11.8%	\$84,500	\$84,000	0.6%

Legal Assistant
7+ Years of Experience

Percent Change

Legal Assistant
4-6 Years of Experience

Percent Change

Legal Assistant
1-3 Years of Experience

Percent Change

2012 2011

2012 2011

2012 2011

Survey Median Averages	\$66,555	\$65,700	1.3%	\$54,500	\$52,500	3.8%	\$48,400	\$46,500	4.1%
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Median Averages By City

Austin/San Antonio	\$66,500	\$66,500	0.0%	\$38,000	\$38,000	0.0%	\$35,800	\$35,100	2.0%
Dallas/Fort Worth	\$73,200	\$69,088	6.0%	\$58,000	\$55,453	4.6%	\$49,000	\$47,000	4.3%
Houston	\$69,200	\$66,400	4.2%	\$54,500	\$52,500	3.8%	\$48,450	\$47,250	2.5%
Other	\$55,885	\$54,576	2.4%	\$37,117	\$36,750	1.0%	\$30,300	\$30,000	1.0%

Median Averages By Firm Size

100+	\$74,300	\$72,400	2.6%	\$64,423	\$64,043	0.6%	\$54,600	\$49,000	11.4%
50-99	\$67,535	\$67,002	0.8%	\$57,000	\$55,000	3.6%	\$45,000	\$41,500	8.4%
30-49	\$70,000	\$68,000	2.9%	\$54,500	\$52,500	3.8%	\$47,864	\$46,147	3.7%
<30	\$58,400	\$57,981	0.7%	\$38,000	\$38,000	0.0%	\$47,864	\$46,147	3.7%

Source: 103 firms.

Legal Secretaries' Salaries

7+ Years of Experience		Percent Change	4-6 Years of Experience		Percent Change	1-3 Years of Experience		Percent Change
2012	2011		2012	2011		2012	2011	

Survey Median Averages	\$56,308	\$56,018	0.5%	\$48,865	\$48,000	1.8%	\$43,500	\$40,200	8.2%
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Median Averages By City

Austin/San Antonio	\$56,308	\$56,036	0.5%	\$48,480	\$48,025	0.9%	\$48,084	\$47,334	1.6%
Dallas/Fort Worth	\$56,000	\$56,000	0.0%	\$42,000	\$40,000	5.0%	\$36,905	\$36,005	2.5%
Houston	\$63,870	\$62,072	2.9%	\$57,000	\$55,000	3.6%	\$48,400	\$46,500	4.1%
Other	\$46,775	\$46,775	0.0%	\$42,500	\$39,500	7.6%	\$28,772	\$28,620	0.5%

Median Averages By Firm Size

100+	\$60,235	\$58,645	2.7%	\$60,000	\$60,000	0.0%	\$50,000	\$51,000	-2.0%
50-99	\$57,911	\$56,864	1.8%	\$52,960	\$53,050	-0.2%	\$57,167	\$56,667	0.9%
30-49	\$52,441	\$50,619	3.6%	\$42,000	\$40,000	5.0%	\$36,905	\$36,005	2.5%
<30	\$55,009	\$54,448	1.0%	\$39,500	\$39,500	0.0%	\$39,000	\$38,000	2.6%

Source: 103 firms.

Support Staff Salaries

Information Services Manager			Percent Change	Librarian			Percent Change	Marketing Director			Percent Change
2012	2011			2012	2011			2012	2011		

Survey Median Averages	\$95,000	\$92,718	2.5%	\$55,500	\$54,250	2.3%	\$87,750	\$84,627	3.7%
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Median Averages By City

Austin/San Antonio	\$105,475	\$105,225	0.2%	\$55,000	\$52,500	4.8%	\$107,525	\$107,127	0.4%
Dallas/Fort Worth	\$87,720	\$87,720	0.0%	\$67,564	\$65,257	3.5%	\$116,985	\$114,480	2.2%
Houston	\$110,000	\$102,500	7.3%	\$65,000	\$63,000	3.2%	\$85,500	\$77,500	10.3%
Other	\$109,844	\$108,756	1.0%	\$51,000	\$48,000	6.3%	\$51,056	\$50,551	1.0%

Median Averages By Firm Size

100+	\$95,000	\$92,718	2.5%	\$72,500	\$68,500	5.8%	\$90,000	\$95,000	-5.3%
50-99	\$98,860	\$100,975	-2.1%	\$55,500	\$53,000	4.7%	\$110,000	\$106,607	3.2%
30-49	\$90,922	\$89,378	1.7%	\$43,495	\$42,045	3.4%	\$51,056	\$50,551	1.0%
<30	\$86,000	\$81,000	6.2%	\$55,000	\$52,500	4.8%	*	*	*

* Data not available. Source: 103 firms.

Administrative Services Salaries

	Chief Administrator		Percent Change	Office Manager		Percent Change	Finance Director		Percent Change	Personnel Director		Percent Change
	2012	2011		2012	2011		2012	2011		2012	2011	
Survey Median Averages	\$144,000	\$138,000	4.3%	\$71,750	\$69,000	4.0%	\$110,000	\$103,000	6.8%	\$80,800	\$78,788	2.6%
Median Averages By City												
Austin/San Antonio	\$152,000	\$150,750	0.8%	\$70,000	\$65,000	7.7%	\$96,000	\$92,050	4.3%	\$80,800	\$77,125	4.8%
Dallas/Fort Worth	\$127,950	\$125,650	1.8%	\$71,750	\$69,000	4.0%	\$95,100	\$91,900	3.5%	\$86,400	\$83,300	3.7%
Houston	\$175,000	\$165,000	6.1%	\$96,306	\$91,375	5.4%	\$110,000	\$100,000	10.0%	\$85,000	\$90,500	-6.1%
Other	\$111,839	\$106,809	4.7%	\$58,100	\$55,350	5.0%	*	*	*	\$79,576	\$78,788	1.0%
Median Averages By Firm Size												
100+ lawyers	\$175,000	\$165,000	6.1%	\$71,750	\$69,000	4.0%	\$120,000	\$113,500	5.7%	\$90,000	\$85,500	5.3%
50-99 lawyers	\$163,500	\$158,500	3.2%	\$100,000	\$92,500	8.1%	\$110,000	\$104,500	5.3%	\$82,000	\$77,750	5.5%
30-49 lawyers	\$130,400	\$128,000	1.9%	\$78,000	\$78,000	0.0%	*	*	*	\$78,788	\$74,000	6.5%
<30 lawyers	\$125,500	\$125,500	0.0%	\$57,000	\$54,500	4.6%	\$70,000	\$65,000	7.7%	\$72,000	\$69,900	3.0%

* Data not available. Source: 103 firms.

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