WEST virginia legislature

2024 regular session

Committee Substitute

for

Senate Bill 851

By Senator Trump

[Originating in the Committee on the Judiciary; reported February 22, 2024]

A BILL to amend the Code of West Virginia, 1931, as amended, by adding thereto a new article, designated §7-28-1, §7-28-2, §7-28-3, §7-28-4, §7-28-5, §7-28-6, §7-28-7, and §7-28-8; and to amend said code by adding thereto a new article, designated §8-40-1, §8-40-2, §8-40-3, §8-40-4, §8-40-5, §8-40-6, §8-40-7, and §8-40-8 all relating to contingency fee arrangements between political subdivisions and private attorneys; defining terms, permitting contingency fee agreements in certain circumstances; exempting certain legal work performed for political subdivision; setting forth the requirements for a proposal request; providing process and factors considered for political subdivision award of contingency fee agreement to private attorney; limiting aggregate fees for contingency fee agreement; providing requirements for contingency fee agreement; providing contingency fee agreement void in certain circumstances; and providing rights, limitations, waivers, obligations, and effective dates.

Be it enacted by the Legislature of West Virginia:

CHAPTER 7. COUNTY COMMISSIONS AND OFFICERS.

ARTICLE 28. USE OF CONTINGENCY FEE AGREEMENTS BY POLITICAL SUBDIVISIONS.

§7-28-1. Definitions.

As used in this article,

"Contingency fee agreement" means any legal fee arrangement or contract that provides for a private attorney to be paid a percentage of any recovery associated with any claims brought by the private attorney on behalf of a political subdivision of the state, or to be paid through a court-approved award of attorney's fees.

"Political subdivision" means any county commission or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; any instrumentality supported in most part by municipalities; and any public body charged, by law, with the performance of a government function and whose jurisdiction is coextensive with one or more counties, cities, or towns.

"Private attorney" means any attorney who is not a full-time or part-time employee of the state, state agency, state constitutional office, or political subdivision, and includes a private law firm.

"State" means the State of West Virginia, including state officers, departments, boards, commissions, divisions, bureaus, councils, and units of organization, however designated, of the executive branch of state government and any of its agents.

§7-28-2. When contingency fee agreement permitted.

(a) A political subdivision may enter into a contingency fee agreement only if:

(1) The necessary legal services cannot be adequately performed by the attorneys and supporting staff of the political subdivision due to the time and labor required, or the novelty, complexity, or difficulty of the legal issues involved;

(2) The legal services cannot reasonably be provided by attorneys in private practice under a contract providing for the payment of hourly attorneys fees or a flat legal rate; and

(3) The litigation or legal matters requiring the retention of a private attorney are matters traditionally subject to a contingency fee agreement.

(b) A political subdivision shall only enter into a contingency fee agreement after compliance with the competitive bidding process set forth in subsection (e) of this section and the contingency fee agreement is approved in an open meeting of the political subdivision that complies with the requirements of §6-9A-3 of this code.

(c) This article shall not apply to any legal work being performed for a political subdivision on an hourly basis or a flat legal rate including, but not limited to:

(1) Real estate transactions including, but not limited to, title searches;

(2) Employment litigation;

(3) Infrastructure projects or grants;

(4) Administrative proceedings;

(5) State or federal law compliance issues;

(6) State or federal law compliance training;

(7) State or federal grant programs;

(8) Transactional services including, but not limited to, bond and other debt instrument issuances and purchasing contracts;

(9) The defense of tort claims against the political subdivision;

(10) Breach of contract claims;

(11) Commercial litigation; and

(12) Claims against the political subdivision subject to potential indemnification pursuant to an insurance policy issued by the West Virginia Board of Risk Management or any other insurer who may have a duty to indemnify the political subdivision.

(d) This article shall not apply to a contingency fee agreement between a political subdivision and a private attorney where the good faith estimate of the aggregate value of the claim or claims being brought on behalf of the political subdivision is less than $500,000: *Provided,* That this exemption shall not apply to any cases referred to the West Virginia Mass Litigation Panel.

(e) Where the requirements of subsection (a) have been satisfied, the political subdivision shall request proposals from private attorneys for a contingency fee agreement to represent the political subdivision. Proposal requests shall be posted in a manner consistent with the political subdivision's postings for other requests for proposals issued by the political subdivision. The request for proposal may also be posted to the political subdivision's website or any other forum reasonably calculated to reach attorneys capable of submitting contingency fee agreement proposals. The time period for which the proposal is open shall be clearly stated in all proposal requests. Proposal requests submitted by private attorneys shall address the factors contained in §7-28-3 of this code.

§7-28-3. Determining award of contingency fee agreement.

(a) Political subdivisions shall consider the following factors when determining the most competitive proposal for legal services prior to entering into a contingency fee agreement:

(1) Whether the private attorneys possess the requisite skills and expertise needed to handle the legal matters in question;

(2) Whether the private attorneys possess requisite staffing and support to handle the scope of the litigation or matter;

(3) Whether the private attorneys, or any members of the private attorneys' law firm, have been subject to reprimand by the West Virginia State Bar, or other entities, for unethical conduct;

(4) Whether the private attorneys have been peer rated, and if so, what peer ratings they have received, along with any other recognitions or awards for legal services;

(5) The estimated fees, costs, and expenses of the private attorneys to perform the legal services requested;

(6) The willingness of the private attorneys to enter into alternative billing arrangements;

(7) Whether the private attorneys are in compliance with all applicable laws of the State of West Virginia and the West Virginia Rules of Professional Conduct; and

(8) Any potential conflicts of interest between the private attorneys and the political subdivision.

(b) If, after soliciting proposals for legal services rendered pursuant to a contingent fee agreement, the political subdivision, or its designated employee, determines that the proposals received are insufficient based on an application of the factors set forth in subsection (a) of this section, the political subdivision may solicit additional proposals.

§7-28-4. Limitations on aggregate fees in contingency fee agreement.

(a) A political subdivision may not enter into any contingency fee agreement that provides for the private attorney to receive an aggregate fee in excess of:

(1) Twenty-five percent of the first $10 million recovered; plus

(2) Twenty percent of any portion of the recovery between $10 million and $15 million; plus

(3) Fifteen percent of any portion of the recovery between $15 million and $20 million; plus

(4) Ten percent of any portion of the recovery between $20 million and $25 million; plus

(5) Five percent of any portion of the recovery exceeding $25 million.

(b) In no event shall the aggregate fee for any legal matter exceed $50 million for any matters arising from a single event or occurrence, exclusive of reasonable costs and expenses, and irrespective of the number of lawsuits filed or the number of private attorneys retained to achieve the recovery. Any legal fees shall not be based on penalties or fines awarded or any amounts attributable to penalties or fines.

(c) To the extent that any private attorneys retained pursuant to the provisions of this article are to be paid through a court-approved award of attorney's fees, their representation of the political subdivision is contingent upon the acceptance of the fee limitations set forth in this section. To the extent that any award of attorney fees is subject to judicial discretion, the private attorneys appointed pursuant to this section may not accept an award of attorney fees greater than the fee limitations outlined in this section.

§7-28-5. Requirements of contingency fee legal arrangement.

(a) A contingency fee agreement with a political subdivision shall contain, but not be limited to, the following provisions:

(1) That the political subdivision, or its designee, shall retain management and supervisory authority over the private attorney;

(2) That the political subdivision, or its designee, shall participate in settlement conferences whenever possible; and

(3) That decisions regarding settlement of the case are reserved exclusively to the discretion of the political subdivision or its designee.

(b) At the conclusion of the matter, the attorney or law firm shall provide the political subdivision with a complete written statement that describes the outcome of the matter, states the amount of any recovery, clearly states the contracting attorney's or law firm's computation of the amount of the contingency fee, and contains a summation of expenses.

§7-28-6. Rights, Limitations, Waivers, and Obligations.

(a) Nothing in this article shall be construed to limit a political subdivision's ability to recover fees and expenses from opposing parties under any law.

(b) Compliance with the provisions set forth in this article does not relieve a private attorney of an obligation or responsibility under any other law or rule including, but not limited to, the West Virginia Rules of Professional Conduct.

(c) A political subdivision, or any of its officers, employees, elected officials, or agents may not waive the requirements of this article.

(d) Nothing in this article shall be construed as a waiver of any immunity afforded to the political subdivision.

§7-28-7. Contingency Fee Agreement Void.

A contingency fee agreement that violates the terms of this article shall be void as against the public policy of the State of West Virginia.

§7-28-8. Effective date.

This article shall be effective on July 1, 2025. The requirements and procedures established in this article are inapplicable to, and shall not impair, any contingency fee agreement or contract awarded prior to the effective date of this article.

CHAPTER 8. MUNICIPAL CORPORATIONS.

ARTICLE 40. USE OF CONTINGENCY FEE AGREEMENTS BY POLITICAL SUBDIVISIONS.

§8-40-1. Definitions.

As used in this article,

"Contingency fee agreement" means any legal fee arrangement or contract that provides for a private attorney to be paid a percentage of any recovery associated with any claims brought by the private attorney on behalf of a political subdivision of the state, or to be paid through a court-approved award of attorney's fees.

"Political subdivision" means any county commission or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; any instrumentality supported in most part by municipalities; and any public body charged by law with the performance of a government function and whose jurisdiction is coextensive with one or more counties, cities, or towns.

"Private attorney" means any attorney who is not a full-time or part-time employee of the state, state agency, state constitutional office, or political subdivision and includes a private law firm.

"State" means the State of West Virginia, including state officers, departments, boards, commissions, divisions, bureaus, councils, and units of organization, however designated, of the executive branch of state government and any of its agents.

§8-40-2. When contingency fee agreement permitted.

(a) A political subdivision may enter into a contingency fee agreement only if:

(1) The necessary legal services cannot be adequately performed by the attorneys and supporting staff of the political subdivision due to the time and labor required, or the novelty, complexity, or difficulty of the legal issues involved;

(2) The legal services cannot reasonably be provided by attorneys in private practice under a contract providing for the payment of hourly attorneys fees or a flat legal rate; and

(3) The litigation or legal matters requiring the retention of a private attorney are matters traditionally subject to a contingency fee agreement.

(b) A political subdivision shall only enter into a contingency fee agreement after compliance with the competitive bidding process set forth in subsection (e) of this section and the contingency fee agreement is approved in an open meeting of the political subdivision that complies with the requirements of §6-9A-3 of this code.

(c) This article shall not apply to any legal work being performed for a political subdivision on an hourly basis or a flat legal rate including, but not limited to:

(1) Real estate transactions including, but not limited to, title searches;

(2) Employment litigation;

(3) Infrastructure projects or grants;

(4) Administrative proceedings;

(5) State or federal law compliance issues;

(6) State or federal law compliance training;

(7) State or federal grant programs;

(8) Transactional services, including but not limited to, bond and other debt instrument issuances and purchasing contracts;

(9) The defense of tort claims against the political subdivision;

(10) Breach of contract claims;

(11) Commercial litigation; and

(12) Claims against the political subdivision subject to potential indemnification pursuant to an insurance policy issued by the West Virginia Board of Risk Management or any other insurer who may have a duty to indemnify the political subdivision.

(d) This article shall not apply to a contingency fee agreement between a political subdivision and a private attorney where the good faith estimate of the aggregate value of the claim or claims being brought on behalf of the political subdivision is less than $500,000: *Provided,* That this exemption shall not apply to any cases referred to the West Virginia Mass Litigation Panel.

(e) Where the requirements of subsection (a) have been satisfied, the political subdivision shall request proposals from private attorneys for a contingency fee agreement to represent the political subdivision. Proposal requests shall be posted in a manner consistent with the political subdivision's postings for other requests for proposals issued by the political subdivision. The request for proposal may also be posted to the political subdivision's website or any other forum reasonably calculated to reach attorneys capable of submitting contingency fee agreement proposals. The time period for which the proposal is open shall be clearly stated in all proposal requests. Proposal requests submitted by private attorneys shall address the factors contained in §8-40-3 of this code.

§8-40-3. Determining award of contingency fee agreement.

(a) Political subdivisions shall consider the following factors when determining the most competitive proposal for legal services prior to entering into a contingency fee agreement:

(1) Whether the private attorneys possess the requisite skills and expertise needed to handle the legal matters in question;

(2) Whether the private attorneys possess requisite staffing and support to handle the scope of the litigation or matter;

(3) Whether the private attorneys, or any members of the private attorneys' law firm, have been subject to reprimand by the West Virginia State Bar, or other entities, for unethical conduct;

(4) Whether the private attorneys have been peer rated, and if so, what peer ratings they have received, along with any other recognitions or awards for legal services;

(5) The estimated fees, costs, and expenses of the private attorneys to perform the legal services requested;

(6) The willingness of the private attorneys to enter into alternative billing arrangements;

(7) Whether the private attorneys are in compliance with all applicable laws of the State of West Virginia and the West Virginia Rules of Professional Conduct; and

(8) Any potential conflicts of interest between the private attorneys and the political subdivision.

(b) If, after soliciting proposals for legal services rendered pursuant to a contingent fee agreement, the political subdivision or its designated employee determines that the proposals received are insufficient based on an application of the factors set forth in subsection (a) of this section, the political subdivision may solicit additional proposals.

§8-40-4. Limitations on aggregate fees in contingency fee agreement.

(a) A political subdivision may not enter into any contingency fee agreement that provides for the private attorney to receive an aggregate fee in excess of:

(1) Twenty-five percent of the first $10 million recovered; plus

(2) Twenty percent of any portion of the recovery between $10 million and $15 million; plus

(3) Fifteen percent of any portion of the recovery between $15 million and $20 million; plus

(4) Ten percent of any portion of the recovery between $20 million and $25 million; plus

(5) Five percent of any portion of the recovery exceeding $25 million.

(b) In no event shall the aggregate fee for any legal matter exceed $50 million for any matters arising from a single event or occurrence, exclusive of reasonable costs and expenses, and irrespective of the number of lawsuits filed or the number of private attorneys retained to achieve the recovery. Any legal fees shall not be based on penalties or fines awarded or any amounts attributable to penalties or fines.

(c) To the extent that any private attorneys retained pursuant to the provisions of this article are to be paid through a court-approved award of attorney's fees, their representation of the political subdivision is contingent upon the acceptance of the fee limitations set forth in this section. To the extent that any award of attorney fees is subject to judicial discretion, the private attorneys appointed pursuant to this section may not accept an award of attorney fees greater than the fee limitations outlined in this section.

§8-40-5. Requirements of contingency fee legal arrangement.

(a) A contingency fee agreement with a political subdivision shall contain, but not be limited to, the following provisions:

(1) That the political subdivision, or its designee, shall retain management and supervisory authority over the private attorney;

(2) That the political subdivision, or its designee, shall participate in settlement conferences whenever possible; and

(3) That decisions regarding settlement of the case are reserved exclusively to the discretion of the political subdivision or its designee.

(b) At the conclusion of the matter, the attorney or law firm shall provide the political subdivision with a complete written statement that describes the outcome of the matter, states the amount of any recovery, clearly states the contracting attorney's or law firm's computation of the amount of the contingency fee, and contains a summation of expenses.

§8-40-6. Rights, Limitations, Waivers, and Obligations.

(a) Nothing in this article shall be construed to limit a political subdivision's ability to recover fees and expenses from opposing parties under any law.

(b) Compliance with the provisions set forth in this article does not relieve a private attorney of an obligation or responsibility under any other law or rule including, but not limited to, the West Virginia Rules of Professional Conduct.

(c) A political subdivision, or any of its officers, employees, elected officials, or agents may not waive the requirements of this article.

(d) Nothing in this article shall be construed as a waiver of any immunity afforded to the political subdivision.

§8-40-7. Contingency Fee Agreement Void.

A contingency fee agreement that violates the terms of this article shall be void as against the public policy of the State of West Virginia.

§8-40-8. Effective date.

This article shall be effective on July 1, 2025. The requirements and procedures established in this article are inapplicable to, and shall not impair, any contingency fee agreement or contract awarded prior to the effective date of this article.