

S P E C I A L I N S E R T

2002 Budget Disclosure

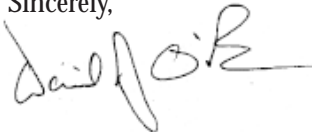
Dear Members:

The Board of Bar Commissioners has approved the following budget for calendar year 2002. The budget is published in its entirety for the benefit of the State Bar members, and to provide an opportunity for members to object to any proposed expenditure in the budget that is considered not to be related to the State Bar's purposes of regulating the profession or improving the quality of legal services. Instructions for challenging non-germane expenditures are set forth on page two of this document. The first pages of the budget provide the totals by categories, while the remaining pages provide explanations and further breakouts of the expenditures by category.

The expenditures for the State Bar in 2002 will be approximately \$2,203,900. Of this amount, \$934,100 is expected to be supported by non-dues revenue.

The State Bar is optimistic that 2002 will be another strong year financially for the State Bar of New Mexico. Please note that the State Bar has not had a dues increase since 1991, and once again, there is no dues increase in 2002. The financial condition of the State Bar has continued to improve over recent years, and the Board of Bar Commissioners is proud of the many new and improved programs and services the State Bar provides to the membership and the public.

Sincerely,



Daniel J. O'Brien
Secretary-Treasurer

YOUR DUES FOR 2002

In *Popejoy, et al. vs. New Mexico Board of Bar Commissioners*, No. Civ. 92-1462 JB, Judge Burciaga of the United States District Court for the District of New Mexico ordered the State Bar to take the following steps on an ongoing basis:

1. Commencing with budget year 1991, annually provide to all State Bar members of New Mexico (hereinafter "State Bar"). In accordance with the Court's findings and conclusions, an accounting of the major categories of State Bar's expenditures allocating the actual anticipated costs of its activities funded by the mandatory dues;
2. Categorize those expenditures and activities as chargeable or nonchargeable;
3. Present verification by an independent auditor that the charges attributable and allocated to each activity or category of expenditures are accurate;
4. Permit State Bar members the option of paying only such portions of the dues which are to be used for the permissible purpose of regulating the legal profession or improving the quality of legal services available to the people of the State of New Mexico, *see Keller vs. State Bar of California*, 496 U.S. 1 (1989);
5. Provide a reasonable period of time for the State Bar members to challenge the assessment of chargeable dues or fees once having been provided with adequate information; and
6. Allow for an impartial decisionmaker to address unaccepted objections, *see Chicago Teachers Union vs. Hudson*, 475 U.S. 29 (1986).

The Board of Bar Commissioners has determined that all proposed expenditures for 2002 are necessarily or reasonably related to regulating the legal profession or improving the quality of legal services to the people of the State of New Mexico and, therefore, all dues-related expenditures are chargeable to fees for all members. A listing and description of the major categories of these chargeable and nonchargeable activities for 2002 are included with the Budgeted Statement of Chargeable and Nonchargeable Expenses/Expenditures by Functional Category (hereinafter "statement"). In accordance with the *Popejoy* decision, the accounting firm of Meyners + Company, LLC has audited the statement and the explanatory notes (Summary of Significant Assumptions and Accounting Policies). A copy of the statement, the notes, and the independent auditors' report are included in the pages following this notice.

Members are given the opportunity to dispute the Board of Bar Commissioners' determination of the chargeable nature of the expenses described by category in the attached materials on grounds that a category is not reasonably related to the State Bar's purposes of regulating the profession or improving the quality of legal services or that an error was made in

calculating a nonchargeable expense. A member who wishes to make such a challenge is hereinafter referred to as "challenger." A challenger must make his or her challenge in writing. The written challenge must include the challenger's name, address, telephone number and should identify the challenge category. A challenger must sign the challenge and submit it to the Executive Director, State Bar of New Mexico, 5121 Masthead NE, Albuquerque, NM 87109, on or before 30 days from the date hereof. Thus, the challenge must be postmarked on or before November 30, 2001, or delivered in person or by fax to the State Bar's office before 5:00 p.m. on December 3, 2001. The State Bar's fax number is (505) 828-3765. A form which may be used for the challenge appears on the last page of this document.

Upon receipt of the properly submitted and timely challenge, the Board of Bar Commissioners shall decide at its next regularly scheduled meeting or at a special meeting whether to honor the challenge by eliminating the expenditure from the budget or refunding the challenged dues or to submit the dispute for decision to the impartial decisionmaker, who will be designated by the New Mexico Supreme Court to hear challenges to the 2002 Budget. The challenge proceedings shall be informal in nature, and the State Bar shall have the burden to show that the disputed matters are within the scope of permissible activities for which mandatory fees may be used under the constitutional standard of *Keller* and related cases. The challenger(s) will be given an opportunity to present their own evidence and to present written arguments in support of their challenge(s). The decisionmaker will issue a written decision on whether or not a challenged expenditure is chargeable or nonchargeable to fees. If the proposed expenditure is found to be nonchargeable, the challenger shall either be entitled to a refund of the challenged dues or may deduct that amount from dues if the decision is rendered prior to the time dues are to be paid. In addition, the decisionmaker will decide the amount, if any, to be refunded or deducted.

If the decision is not rendered before dues are to be paid, the Board of Bar Commissioners shall escrow the challenged portion of the challenger's dues into a separate interest-bearing bank account until the decision is rendered.

A copy of the State Bar's Bylaws pertaining to challenges and the procedures for such challenges may be obtained by writing or calling the State Bar office at 5121 Masthead NE, Albuquerque, NM 87109; (505) 797-6000.



| |
|--|
| <p>MEYNER + COMPANY, LLC <i>Certified Public Accountants/ Consultants to Business</i></p> <p>500 Marquette NW, Suite 400 Albuquerque, New Mexico 87102 P 505/842-8290 F 505/842-1566 E cpa@meyners.com</p> <p><i>An Independent Member of the BDO Seidman Alliance</i></p> |
|--|

INDEPENDENT AUDITORS' REPORT

To the Board of Bar Commissioners
State Bar of New Mexico
Albuquerque, New Mexico

We have examined the accompanying forecasted (budgeted) statement of chargeable and nonchargeable expenses/expenditures by functional category (the statement) of the State Bar of New Mexico for the year ending December 31, 2002. Our examination was made in accordance with standards for an examination of a forecast established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast.

The accompanying statement was prepared for the purpose of presenting to the members of the State Bar of New Mexico the allocation of certain budgeted expenditures, expenses and deferrals into chargeable and nonchargeable categories as described in Note I and is not intended to be a complete presentation of the State Bar of New Mexico's assets, liabilities, revenues and expenses in conformity with accounting principles generally accepted in the United States of America and, therefore, should not be used for any other purpose.

In our opinion, the accompanying forecasted statement is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

October 12, 2001

Meyners + Company, LLC

An Independent Member of the BDO Seidman Alliance with offices in principal cities around the world

State Bar of New Mexico
 Budgeted Statement of Chargeable and Nonchargeable Expenses/Expenditures by Functional Category
 Year Ending December 31, 2002

| | Expenses/ Expenditures & Deferrals Net of Depreciation Before Allocations | Allocation of Admin. Overhead | Non-Dues Funded | Net Funded By Dues | Percentage of Dues Funded |
|---|---|-------------------------------------|--------------------|--------------------------|---------------------------------|
| CHARGEABLE (page 7) | | | | | |
| I. State Bar Governance, Administration & Organization | | | | | |
| A. Board of Bar Commissioners (page 7) | \$ 88,670 | \$14,130 | — | \$ 102,800 | 8.10% |
| B. General Administration | | | | | |
| 1. Administration Division (page 8) | 302,930 | (302,930) | — | — | — |
| 2. Communications Division (page 9) | 148,700 | (148,700) | — | — | — |
| 3. Membership Administration and Support Division (page 10) | 148,500 | (148,500) | — | — | — |
| C. Capital Outlay (page 10) | 152,200 | 24,254 | — | 176,454 | 13.90% |
| D. Litigation | | | | | |
| 1. Popejoy/Keller Challenge Procedures (page 10) | 30,000 | 4,781 | — | 34,781 | 2.74% |
| 2. General Litigation (page 10) | 100 | 16 | — | 116 | 0.01% |
| E. World Wide Web Site (page 11) | 168,000 | 26,772 | 153,500 | 41,272 | 3.25% |
| II. Communications, Publications & Public Legal Education | | | | | |
| A. Publications | | | | | |
| 1. Bar Journal (page 11) | 40,600 | 25,589 | 15,600 | 50,589 | 3.98% |
| 2. Bar Bulletin (page 11) | 244,600 | 154,160 | 184,900 | 213,860 | 16.84% |
| 3. Bench and Bar Directory (page 11) | 51,800 | 32,647 | 56,200 | 28,247 | 2.22% |
| B. Outside Production (page 12) | 27,600 | 17,395 | 21,000 | 23,995 | 1.89% |
| C. Other Public Education/Information Initiatives (page 12) | 1,500 | 945 | 3,000 | (555) | -.04% |
| Committees (page 12) | 39,100 | 17,925 | — | 57,025 | 4.49% |
| III. Public Service: Legal Services, Legal Information, & Assistance | | | | | |
| A. Committees (page 12) (See III above) | — | — | — | — | — |
| B. Client Protection Fund (page 13) | 10,100 | 1,609 | 10,100 | 1,609 | 0.13% |
| C. Consumer Attorney Assistance Program (CAAP) (page 13) | 93,700 | 14,932 | — | 108,632 | 8.56% |
| D. Lawyers Care Referral Program (page 13) | 58,700 | 9,354 | — | 68,054 | 5.36% |
| E. Lawyer Referral for the Elderly Program (page 13) | 37,700 | 6,008 | — | 43,708 | 3.44% |
| F. Pro Bono and Referral Director (page 13) | 22,900 | 3,649 | — | 26,549 | 2.09% |
| G. Young Lawyers Division Programs (page 13) | 5,960 | 2,733 | — | 8,693 | .68% |

See Summary of Significant Assumptions and Accounting Policies, and Independent Auditors' Report

State Bar of New Mexico

Budgeted Statement of Chargeable and Nonchargeable Expenses/Expenditures by Functional Category
Year Ending December 31, 2002

| | Expenses/ Expenditures & Deferrals Net of Depreciation Before Allocations | Allocation of Admin. Overhead | Non-Dues Funded | Net Funded By Dues | Percentage of Dues Funded |
|---|---|-------------------------------------|--------------------|--------------------------|---------------------------------|
| V. Membership Services | | | | | |
| A. Services Offered by the Bar | | | | | |
| 1. Annual Convention (page 14) | 159,100 | 72,941 | 152,100 | 79,941 | 6.30% |
| 2. Association/Membership Plans (page 14) | 436 | 200 | 6,000 | (5,364) | -0.42% |
| 3. Attorney Compensation/Salary Survey Report (page 14) | — | — | 500 | (500) | -0.04% |
| 4. Bar Leadership Conference (page 14) | 872 | 400 | — | 1,272 | 0.10% |
| 5. Conference Rooms, Visiting Attorneys' Offices, Computer Resource Room (page 14) | 45,587 | 20,900 | — | 66,487 | 5.24% |
| 6. Lawyers Assistance Hotline (page 14) | 10,906 | 5,000 | — | 15,906 | 1.25% |
| 7. Lending Library (page 14) | 1,091 | 500 | 400 | 1,191 | 0.09% |
| 8. LEXIS (page 14) | — | — | 5,000 | (5,000) | -0.39% |
| 9. Membership Forms (page 15) | 4,690 | 2,150 | — | 6,840 | 0.54% |
| 10. Membership List (page 15) | 3,800 | 1,742 | 23,800 | (18,258) | -1.44% |
| 11. Professionalism (page 15) | 75,100 | 34,430 | 148,400 | (38,870) | -3.07% |
| 12. Professional Development Center (page 15) | 94,100 | 43,140 | 110,000 | 27,240 | 2.15% |
| 13. VISA/Master Card/Discover Merchant Fees (page 15) | 26,174 | 12,000 | — | 38,174 | 3.01% |
| 14. Membership Outreach (page 15) | 2,945 | 1,350 | — | 4,295 | 0.34% |
| B. Committees Providing Services to Members (page 16) (See III above) | | | | | |
| C. Young Lawyers Division Programs | | | | | |
| 1. Membership Outreach (page 16) | 22,770 | 10,440 | — | 33,210 | 2.62% |
| 2. Administration (page 16) | 17,269 | 7,917 | — | 25,186 | 1.98% |
| D. Senior Lawyers Division (page 16) | 5,600 | 2,568 | — | 8,168 | .64% |
| E. Sections Administration (page 17) | 60,100 | 27,553 | 43,600 | 44,053 | 3.47% |

State Bar of New Mexico
 Budgeted Statement of Chargeable and Nonchargeable Expenses/Expenditures by Functional Category
 Year Ending December 31, 2001

| | Expenses/ Expenditures & Deferrals Net of Depreciation Before Allocations | Allocation of Admin. Overhead | Non-Dues Funded | Net Funded By Dues | Percentage of Dues Funded |
|--|---|-------------------------------------|--------------------|--------------------------|---------------------------------|
| VI. Legislative Activity | | | | | |
| A. Lobbying Approved by the Board of Bar Commissioners (page 17) | — | — | — | — | — |
| B. Sections' Lobbying Activities (page 17) | — | — | — | — | — |
| TOTALS | \$2,203,900 ===== | \$0 ===== | \$934,100 ===== | \$1,269,800 ===== | 100.00% ===== |
| VII. 2000 Nonbudgeted Expenditures (page 17) | \$17,580 | — | — | \$17,580 | — |
| VIII. 2001 Nonbudgeted Expenditures (page 17) | — | — | — | — | — |
| NONCHARGEABLE (page 17) | — | — | — | — | — |

2002 Active Dues (over three years) - \$215; Active Dues Young Lawyers (second year) - \$165; Active Dues Young Lawyers (first year) - \$115

See Summary of Significant Assumptions and Accounting Policies, and Independent Auditors' Report

STATE BAR OF NEW MEXICO
SUMMARY OF SIGNIFICANT
ASSUMPTIONS AND
ACCOUNTING POLICIES YEAR
ENDING DECEMBER 31, 2002

NATURE OF BUSINESS

State Bar was incorporated under the laws of the State of New Mexico in 1978. Prior to 1978, State Bar operated as an agency of the Supreme Court of the State of New Mexico, established by State statute, dated March 17, 1925. The purposes of State Bar are to aid the courts in the administration of justice, to preserve the rule of law and to foster a high standard of integrity and competence within the legal profession. State Bar's activities include collection of dues; publication of the *Bar Bulletin*, *Bar Journal* and *Bench and Bar Directory*; and development and promotion of programs such as annual conventions, membership programs, legal services to the public, public education and information, lawyer referral, and issues on law practice management and technology.

NATURE OF PRESENTATION

This budget presents, to the best of management's knowledge and belief, State Bar's expected statement of chargeable and nonchargeable expenses/expenditures by functional category. Accordingly, the budget presents management's judgment, as of October 12, 2001, the date of this budget, of the expected conditions and expected course of action. Management does not intend to update this budget. The assumptions disclosed herein are those that management believes are significant to the budget and may not be all-inclusive. There will usually be differences between budgeted and actual results, because events and circumstances frequently do not occur as expected, and those differences may or may not be material.

The budget document has been designed to provide to all members of the State Bar the anticipated cost of its 2002 activities, by functional category, which will be funded by mandatory dues. Accordingly, this document may not be useful for other purposes.

SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

Deferred Revenues

Dues, subscriptions, and advertising are recognized as revenue in the period to which they relate. Amounts collected in advance are recorded as liabilities until earned.

Pledges and Contributions

In 1991, the State Bar formed a 501(c)(3) corporation, State Bar of New Mexico Special Projects, Inc. (Special Projects), for the purpose of receiving grant awards from other 501(c)(3) entities for programs approved by the Board of Bar Commissioners and to accept contributions to construct a general office building (Bar Center). The two corporations, State Bar and Special Projects, have interlocking boards.

Bar Center expenses are split between the two corporations based on the projected portion of ownership of the building.

Due to the potential uncertainty of collection, a donor pledge is considered revenue when restrictions, if any, have been met, and the pledge has been received.

Property and Equipment

Property and equipment are recorded at cost for purchased items and fair market value at the date of contribution for donated items.

Income Taxes

State Bar is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

Programs of State Bar

To ensure observance of limitations and restrictions placed on the use of resources available to State Bar, State Bar maintains its accounts in accordance with the principles of the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, State Bar is required to report information regarding its financial position and accounting activities under three classes of net assets. In addition, State Bar's accounts are maintained on a functional basis, which retains activity detail on a program-by-program basis.

Basis of Presentation

The purpose of the statement is to provide members of State Bar with a statement that identifies the major functional categories of State Bar, and includes amounts for activities that are germane to advancing State Bar's regulatory functions and improving legal services (chargeable), as well as that portion of the expenses considered not to be reasonably related to regulating the profession or improving the quality of legal services (nonchargeable).

Depreciation/Amortization

This statement has been prepared without regard to depreciation or amortization since the issues of chargeable and nonchargeable are considered in the year of purchase, or, in the event of debt-financed acquisitions, the period in which the commitment to make principal payments has been made.

Building Occupancy Costs

In August 1996, State Bar moved into the newly constructed Bar Center. As joint owner of the Bar Center, State Bar is responsible for its portion of the expenses incurred in operating and maintaining the building. All of State Bar's costs related to the Bar Center have been captured and presented for the members' review in Note 7.

Note 1. Description of Categories

CHARGEABLE

I. STATE BAR GOVERNANCE,
ADMINISTRATION AND ORGANIZATION
A. Board of Bar Commissioners

The Board of Bar Commissioners (hereinafter "the Board") is established by Supreme Court Rule 24-101C as the governing board of the State Bar. The Board is responsible for overseeing the Executive Director, Sections, Committees, Divisions, and Task Forces and makes decisions to fulfill the mission of improving the quality of legal services to the citizens of New Mexico.

Meetings

The Board meets four to six times a year; in 2002 there will be six regularly scheduled meetings. While Board members receive no compensation, they do receive mileage and per diem allowances for travel, in accordance with the State of New Mexico travel policy. Included within this item is travel for the President and President-Elect to attend various State Bar related activities, conferences and training programs.

The expenses for Board meetings are based on the assumption that during 2002 there will be two meetings held outside of Albuquerque in connection with the Annual Convention and Bench and Bar Conference. Remaining meetings will be held in Albuquerque or by teleconference. Board Committees also conduct business by teleconference throughout the year. In-state travel will decrease from the 2001 budget because outreach expenses have been moved from the Board's budget to membership outreach in the Membership Division; however, because the 2002 President resides in Las Cruces, there will be some in-state travel expenses for the President to attend certain Board Committee meetings and to conduct State Bar business.

Travel

The 2002 travel for the President and President-Elect is based on the assumption that both will attend the NCBP (National Conference of Bar Presidents) mid-year (Philadelphia) and annual (Washington D.C.) meetings. The President, President-Elect and two additional officers will attend the Western States Bar Conference (Las Vegas). The President-Elect will attend the Bar Leadership Institute (Chicago).

Long-Range Strategic Planning Meeting

In a continuing effort to prioritize the philosophical and programming decisions of the State Bar, the Board has budgeted a strategic planning meeting in 2002. At this meeting, the Board will continue to evaluate State Bar's progress in meeting its mission, goals and objectives, and will continue strategic planning for State Bar's future priorities and programs.

Board Expenses

| | |
|---------------------------------------|---------------|
| Direct Labor Allocation | \$42,800 |
| Meetings | 22,370 |
| Travel | 12,000 |
| Long-Range Strategic Planning Meeting | 5,200 |
| Teleconferences | 4,500 |
| In-State Travel | 1,000 |
| Miscellaneous | 500 |
| Administrative Support for President | 300 |
| | <u>88,670</u> |
| Allocated G & A | <u>14,130</u> |

Total Board Expenses (\$102,800)

B. General Administration

General administration (hereinafter "G & A") expenses are incurred to provide staff-employees and operational support for all programs and activities of the State Bar, including personnel, data management, printing, purchasing, membership records and status inquiries, member billing and elections, building management, mail and implementing the policies of the Board.

State Bar employees are required to keep time sheets reflecting their daily activity so that specific programs may be charged the actual labor costs of staff services. The 2002 allocations of direct labor costs are based primarily on 2001 time studies and outside billings through June 2001. These direct costs are reflected in the budget for each program. Some staff time cannot be assigned directly to specific programs. For example, the Administration Division includes the accounting and data management functions. The costs of processing payroll checks and maintaining accounting records are not appropriate as a direct allocation to a specific program. To the extent general administration expenses cannot be billed directly to a program, the expenses are allocated on a *pro rata* cost basis to each program in the 2002 budget. This number is reflected under each program as "Allocated G & A."

Administrative fee revenue represents amounts received by the State Bar for direct services provided. For instance, accounting and bookkeeping services are provided to MCLE, Legal Advertising, Legal Specialization, Legal Assistants Division, and the Disciplinary Board. Additionally, Special Projects' programs (CLE, Lawyers Care Referral, Consumer Attorney Assistance Program, Lawyer Referral for the Elderly, and Bar Center/General) receive managerial support from State Bar.

Duplication revenue outlined below represents copy fees (approximately 4.5 cents a page) charged to non State Bar entities for use of State Bar's copy machines.

1. Administration Division

The Administration division consists of accounting, information systems, human resources, Website administration and executive offices. Expenses for the Administration Division are outlined below.

The Administration Division G & A activity not charged directly to a specific program has been allocated on a *pro rata* basis to each State Bar program as Allocated G & A. Allocated G & A is comprised of the following (see Note 2 for specific information regarding the distribution/allocation of direct salaries, taxes and benefits and Note 6 for the allocation of other G & A expenses):

Revenue

Administrative Fees:

| | |
|-----------------------------|----------|
| Dues Late Fees | \$43,000 |
| Interest | 35,000 |
| CLE | 15,100 |
| Disciplinary Board | 11,000 |
| Duplication | 10,000 |
| MCLE | 7,500 |
| LREP | 5,600 |
| Defense Lawyers Association | 4,100 |

Expenses continued on next page

| | | |
|--------------------------------------|------------|------------------|
| Lawyers Care Referral | 3,800 | |
| Legal Advertising | 1,700 | |
| Legal Specialization | 1,300 | |
| Consumer Attorney Assistance Program | 1,000 | |
| NSF Fees | 800 | |
| Legal Assistants Division | 700 | |
| Bar Center/General | 500 | |
| State Bar Foundation | 500 | |
| Miscellaneous | <u>500</u> | |
| Total G & A Revenue | | \$142,100 |

Expenses

| | | |
|--|------------|-------------------------|
| Salaries, Taxes and Benefits, Net (see Note 3) | \$237,100 | |
| Bar Center Occupancy (See Note 7) | 38,900 | |
| Equipment Maintenance | 34,500 | |
| Duplication, Supplies and Postage | 25,000 | |
| Audit | 20,600 | |
| Insurance | 18,400 | |
| Human Resources | 16,900 | |
| Interest on Capital Leases | 12,200 | |
| Education and Travel | 11,830 | |
| Advertising | 10,800 | |
| Printing and Telephone | 8,000 | |
| Pension Administration | 3,000 | |
| Bank Fees | 3,000 | |
| Taxes, Fees and Filings | 2,000 | |
| Dues and Subscriptions | 1,500 | |
| Internet | 800 | |
| Miscellaneous | <u>500</u> | |
| Total Administration Expenses | | <u>(445,030)</u> |
| Net Administrative Expenses | | (302,930) |
| Less Allocated G & A | | <u>302,930</u> |
| | | <u>\$0</u> |

Activities charged to Administration G & A include:

- Accounting management
- Accounting/bookkeeping services performed for other entities
- Accounting research
- Accounts payable/check requests
- Archives maintenance
- Audit (year-end and annual budget)
- Communication with ABA, other national, state and local bars, and financial associations
- Computer assisted legal research
- Computer and network maintenance
- Correspondence and clerical
- Data entry and extraction
- Dues collection
- Equipment management
- Errands/deliveries

- File maintenance
- General research
- Interdepartmental forms, supplies and projects
- Leaves/holidays (paid time off)
- Liaison to statewide local and voluntary bars
- Mail pickup, preparation and delivery
- Maintenance of State Bar database
- Management of dues collection
- Management of centralized computer system, personal computers, printers and modems
- Meetings/training
- Month-end billings
- Month-end close/financial reporting
- Office insurance policies
- Office supplies and inventory management
- Overall programs and policy planning management
- Professional memberships, meetings, training and education
- Receipt of checks
- Review and approval of revenue, expenses (accounts payable)
- Software training for staff
- Staff meetings
- Systems management

2. Communications Division

The Communications Division consists of personnel responsible for the overall production of publications and communication services to the membership and the public.

G & A activity for the Communications Division has been allocated on a *pro rata* basis to each membership printing project (*Bar Journal, Bar Bulletin, Bench and Bar Directory*), outside production and pamphlets. The resulting total (direct expense and allocated Communications G & A) is then included as the base amount to perform the allocation of Administration G & A. This Allocated G & A is comprised of the following (see Note 2 for specific information regarding the distribution/allocation of direct salaries, taxes and benefits, and Note 6 for the allocation of other G & A expenses):

Expenses

| | | |
|--|------------|-----------------------|
| Salaries, Taxes and Benefits, Net (see Note 4) | \$98,300 | |
| Bar Center Occupancy (See Note 7) | 32,000 | |
| Equipment Maintenance | 6,000 | |
| Travel/Education | 4,100 | |
| Duplication, Telephone and Postage | 3,900 | |
| Insurance | 2,500 | |
| Printing Supplies | 700 | |
| Internet | 500 | |
| Miscellaneous | 500 | |
| Dues and Subscriptions | <u>200</u> | |
| Total Communications Expenses | | (148,700) |
| Less Allocated G & A | | <u>148,700</u> |
| | | <u>\$0</u> |

Activities charged to Communications G & A include:

- Communications with other state and local bars regarding publications and communication services
- Departmental clerical/mail
- Division management
- Equipment maintenance
- Interdepartmental projects and production
- Inventory management
- Leaves/holidays (paid time off)
- Maintenance of press and production equipment
- Ordering production materials and supplies
- Personnel management
- Production cost outs (billing and charges related to production labor, materials)
- Professional memberships, meetings, training and education
- Research
- Staff meetings
- State Bar historical library (records, photographs, videos, etc.)

3. Membership Administration and Support Division

The G & A activity for the Division of Membership Administration and Support has been allocated on a *pro rata* basis to the following: Membership, Committees, Sections, Young Lawyers Division and Senior Lawyers Division. The resulting total (direct expense and allocated Membership Administration and Support Division G & A) is then included as the base amount to perform the allocation of Administration G & A. This Allocated G & A is comprised of the following (see Note 2 for specific information regarding the distribution/allocation of direct salaries, taxes and benefits and Note 6 for the allocation of other G & A expenses):

Expenses

| | |
|--|------------|
| Direct Labor | \$130,200 |
| Duplication, Supplies, Postage, Printing and Telephone | 7,000 |
| Bar Center Occupancy (See Note 7) | 5,000 |
| Marketing | 4,000 |
| Travel/Education | 1,800 |
| Internet | 200 |
| Miscellaneous | 200 |
| Dues and Subscriptions | <u>100</u> |

Total Membership Administration and Support Expenses (148,500)

Less Allocated G & A 148,500

\$0

Activities charged to Membership Administration and Support G & A are:

- General clerical
- Interdepartmental projects
- Leaves/holidays (paid time off)
- Personnel management
- Professional meetings/training and education
- Staff meetings and communications
- Supplies

C. Capital Outlay

During 2002, State Bar intends to make the following principal payments and asset acquisitions. All related interest has been treated as an annual expense and is included in Bar Center occupancy expense or G & A expense, respectively.

Expenditures

| | |
|-----------------------------------|----------------|
| Bar Center Mortgage Principal | \$83,000 |
| Capital Lease Principal Payments: | |
| Computer | 46,100 |
| Copier | 10,700 |
| Mailing Machine | 7,400 |
| Fixed Asset Additions: | |
| Furniture & Fixtures | <u>5,000</u> |
| | 152,200 |
| Allocated G & A | <u>24,254</u> |

Total Capital Outlay (\$176,454)

D. Litigation

1. Popejoy/Keller Challenge Procedures

In order to comply with the challenge procedures and time keeping requirements under *Keller vs. State Bar of California*, 496 U.S. 1 (1989), and *Popejoy et. al. vs. New Mexico Board of Bar Commissioners*, No. Civ. 92-1462, State Bar anticipates that the following expenses may be incurred:

Expenses

| | |
|-----------------------------|---------------|
| Direct Labor (Time Keeping) | \$15,300 |
| Accounting and Budget Audit | 12,200 |
| Printing | 2,200 |
| Arbitrator Fees | <u>300</u> |
| | 30,000 |
| Allocated G & A | <u>4,781</u> |

Total Expenses (\$34,781)

2. General Litigation

State Bar is not currently involved in any lawsuit and, therefore, does not anticipate any litigation expenses in 2002. A minimal amount of \$100 is budgeted for any miscellaneous matters that may require direct staff labor charges.

| | |
|-----------------|-----------|
| Expenses | \$100 |
| Allocated G & A | <u>16</u> |

Total Expenses (\$116)

E. World Wide Web Site

The State Bar has developed a World Wide Web Site that contains information for its members and the public. Expenses include personnel and administrative expenses related to development and maintenance of the site. In 2002, the Website will be redesigned to include content management, legal research and an expanded search capability. Revenue from CLE and prior year reserve will support the expense to redesign and expand the Website in 2002. In addition to expanding information and services on the Website, non-dues revenue is projected in 2002 from advertising and for development and maintenance of Attorney Pages for attorneys and sub-sites for other Bar-related entities. The previously collected amounts were subject to the previous years' challenge process and, therefore, are not subject to this year's challenge process.

| Revenue | |
|--|--------------------------|
| Previously Collected | \$50,000 |
| CLE Support | 50,000 |
| Attorney Pages | 30,000 |
| Advertising Affinity Programs | 17,100 |
| Hot Links | 5,000 |
| Website Administration and Development for Other Entities | 4,400 |
| Contra Taxes Account- Gross Receipts | <u>(3,000)</u> |
| Total Revenue | \$153,500 |
| Expenses | |
| Development | \$100,000 |
| Direct Labor | 65,300 |
| Bar Center Occupancy (See Note 7) | 1,000 |
| Duplication, Supplies, Postage, Printing and Telephone | 800 |
| Web Page | 500 |
| Software | 200 |
| Training | <u>200</u> |
| | 168,000 |
| Allocated G & A | <u>26,772</u> |
| Total Expenses | <u>194,772</u> |
| Total, Net | <u>(\$41,272)</u> |

II. COMMUNICATIONS, PUBLICATIONS & PUBLIC LEGAL EDUCATION (SEE NOTE 4)

A. Publications

The Communications Division produces numerous publications for State Bar and its members, as well as for Sections, Committees and Divisions. The direct and indirect costs are identified below and under the State Bar G & A, Sections, Committees and Divisions' categories and descriptions (see Note 6).

1. Bar Journal

The *Bar Journal* is a quarterly magazine containing substantive legal and feature articles of interest to the membership, as well as advertising.

| Revenue | |
|---------------------------------------|--------------------------|
| Advertising | \$15,600 |
| Subscriptions | 900 |
| Contra Tax Account- Gross Receipts | <u>(900)</u> |
| Total Revenue | \$15,600 |
| Expenses | |
| Printing | \$18,300 |
| Production Labor and Benefits | 12,800 |
| Postage and Delivery | 4,900 |
| Direct Labor | <u>4,600</u> |
| | 40,600 |
| Allocated G & A | <u>25,589</u> |
| Total Expenses | <u>(66,189)</u> |
| Total, Net | <u>(\$50,589)</u> |

2. Bar Bulletin

The *Bar Bulletin* is a weekly publication containing advance opinions of the New Mexico Supreme Court and the Court of Appeals, as well as rules, notices, announcements, and classified advertisements.

| Revenue | |
|---------------------------------------|---------------------------|
| Advertising | \$189,900 |
| Subscriptions | 6,500 |
| Contra Tax Account- Gross Receipts | <u>(11,500)</u> |
| Total Bar Bulletin Revenue | \$184,900 |
| Expenses | |
| Printing | \$120,000 |
| Production Labor and Benefits | 57,300 |
| Postage and Delivery | 55,700 |
| Direct Labor | <u>11,600</u> |
| | 244,600 |
| Allocated G & A | <u>154,160</u> |
| Total Expenses | <u>398,760</u> |
| Total, Net | <u>(\$213,860)</u> |

3. Bench and Bar Directory

The *Directory* is a complete listing of the membership of the State Bar with addresses, telephone and fax numbers, e-mail addresses and employer/firm names. The Directory also includes a listing of State Bar-related entities, rules relevant to the practice of law a listing of State Bar Sections, Committees, and Divisions, the judiciary, the Board, other State Bar-related information, government offices, and tribal courts. The publication also contains advertisements.

| | | |
|---------------------------------------|----------------|--------------------------|
| Revenue | | |
| Advertising | \$20,000 | |
| Directory Sales | 40,000 | |
| Contra Tax Account- Gross Receipts | <u>(3,800)</u> | |
| Total Revenue | | \$56,200 |
| Expenses | | |
| Printing | \$39,500 | |
| Production Labor and Benefits | 5,800 | |
| Postage and Delivery | 4,700 | |
| Direct Labor | 1000 | |
| Contract Labor | <u>800</u> | |
| | 51,800 | |
| Allocated G & A | <u>32,647</u> | |
| Total Expenses | | <u>84,447</u> |
| Total, Net | | <u>(\$28,247)</u> |

B. Outside Production

Outside production includes production services provided by the Communications Division to law-related entities, court-regulated programs, Disciplinary Board, and Special Projects.

| | | |
|-------------------------------|---------------|--------------------------|
| Revenue | | \$21,000 |
| Expenses | | |
| Production Supplies | \$16,600 | |
| Production Labor and Benefits | 10,900 | |
| Direct Labor | <u>100</u> | |
| | 27,600 | |
| Allocated G & A | <u>17,395</u> | |
| Total Expenses | | <u>44,995</u> |
| Total, Net | | <u>(\$23,995)</u> |

C. Other Public Education/Information Initiatives

General public education/information activities supported by the Communications Division include dissemination of press releases to print and broadcast media on programs and other legal information of interest to the citizens of New Mexico. The State Bar Communications staff also coordinates the production and dissemination of informational pamphlets and legal information/education publications for the public. Many of these publications are sponsored by the Public Legal Education Committee or other committees and are described under those categories. Pamphlets will be reprinted as supplies are depleted. Indirect costs include staff time to take requests and mail publications. A small amount of revenue is generated from the sale of pamphlets to attorneys and other entities for distribution to clients and the public.

| | | |
|-----------------------|------------|---------------------|
| Revenue | | \$3,000 |
| Expenses | \$1,500 | |
| Allocated G & A | <u>945</u> | |
| Total Expenses | | <u>2,445</u> |
| Total, Net | | <u>\$555</u> |

III. COMMITTEES

In 2002, each State Bar standing committee may submit a request for disbursement of funds from the designated pool of committee resources. Committees able to participate in "Committee Pool" are listed on pages 12 and 16.

| | | |
|------------------------|---------------|--------------------------|
| Expenses | | |
| Committee Pool | \$11,000 | |
| Allocated Direct Labor | <u>28,100</u> | |
| | 39,100 | |
| Allocated G & A | <u>17,925</u> | |
| Total Expenses | | <u>(\$57,025)</u> |

IV. PUBLIC SERVICE: LEGAL SERVICES, LEGAL INFORMATION AND ASSISTANCE

A. Committees

For 2002, the State Bar is funding the following committees whose primary purposes are to improve the quality of legal services, information, and assistance to the public. Each committee may submit a request for disbursement of funds from the designated pool of committee resources (see Note 1 (III)).

- 1. Alternative Methods of Dispute Resolution (ADR).** Provides education and training concerning various methods of resolving disputes outside of litigation.
- 2. Delivery of Legal Services to People with Disabilities.** Provides information and assistance to ensure access to counsel for persons with disabilities.
- 3. Legal Services and Programs.** Serves as a liaison between State Bar and other legal services providers and funders, and works to ensure access to the legal system.
- 4. Disaster Response.** In the event of a major disaster in New Mexico, this committee educates victims regarding their rights, and directs those in need to resources, aid and counsel.
- 5. Fee Arbitration.** Arbitrates attorney/client fee disputes.
- 6. Legal-Dental Review.** Screens dental, osteopathic and podiatry malpractice claims.
- 7. NM Medical Review Commission.** Screens medical malpractice claims.
- 8. Public Legal Education.** Provides information and education to the public about the legal profession, the law, and services available through the State Bar and other law-related entities.

9. **Unauthorized Practice of Law.** Investigates complaints concerning the unauthorized practice of law and works with various district attorney offices and the attorney general to enforce statutes relating to the unauthorized practice of law.

B. Client Protection Fund

The Client Protection Fund is available for persons who have suffered monetary losses due to dishonest conduct by lawyers, and recovery is available for eligible clients from funds collected for this purpose. These special purpose funds are maintained in an interest-bearing restricted account. In 2002, State Bar will utilize \$10,100 of the temporarily restricted Client Protection Fund reserve, which has been carried forward from the dues assessments collected in previous years, but not spent prior to 2002. These amounts were subject to the previous years' challenge processes and, therefore, are not subject to this year's challenge process. A supplemental dues assessment for the Client Protection Fund is not anticipated for 2002.

| | |
|---|-------------------------|
| Revenue, Previously Collected and Restricted | \$10,100 |
| Expenses (to be paid from the fund) | |
| Direct Expenses | \$10,000 |
| Direct Labor | <u>100</u> |
| | 10,100 |
| Allocated G & A | <u>1,609</u> |
| Total Expenses | <u>11,709</u> |
| Total, Net | <u>(\$1,609)</u> |

C. Consumer Attorney Assistance Program (CAAP)

This program encourages civility within the profession by accepting and investigating complaints that allege unprofessional behavior by a member of the State Bar, such as rude conduct or inappropriate communications. Matters investigated may be resolved through mediation or may be referred to another program or agency.

The Consumer Attorney Assistance Program, a program managed by Special Projects, is designed to serve members and the public with an all-inclusive intake approach to complaints, which cooperates with and refers to the Peer Assistance Program, the Disciplinary Board, Fee Arbitration Panel, Unauthorized Practice of Law Panel, Client Protection Fund, Lawyers Assistance and other programs. Membership support represents State Bar's financial commitment, as approved by the Board, to Special Projects to support this program.

| | |
|-----------------------|---------------------------|
| Expenses | |
| Membership Support | \$93,700 |
| Allocated G & A | <u>14,932</u> |
| Total Expenses | <u>(\$108,632)</u> |

D. Lawyers Care Referral Program

The Lawyers Care Referral Program is a program managed by Special Projects. This program is designed to accept *pro bono* referrals from the five legal services programs of New Mexico and to provide general referrals for the public. Membership support represents the portion of this program's direct expenses funded by State Bar dues to supplement third-party revenue from clients who do not meet poverty-level income.

| | |
|-----------------------|--------------------------|
| Expenses | |
| Membership Support | \$58,700 |
| Allocated G & A | <u>9,354</u> |
| Total Expenses | <u>(\$68,054)</u> |

E. Lawyer Referral for the Elderly Program

The Lawyer Referral for the Elderly Program (hereinafter "LREP") is a Special Projects legal services program located on the premises of State Bar. A grant to Special Projects from the State Agency on Aging is the primary source of funding. Generally, LREP assists individuals 55 years of age and older by referring cases to volunteer attorneys throughout New Mexico. In addition, LREP provides brief services and conducts workshops to provide legal information to senior citizens. Membership support represents the portion of this program's direct expenses funded by State Bar dues to supplement funding provided by the State Agency on Aging.

| | |
|-----------------------|--------------------------|
| Expenses | |
| Membership Support | \$37,700 |
| Allocated G & A | <u>6,008</u> |
| Total Expenses | <u>(\$43,708)</u> |

F. Pro Bono and Referral Director

This position manages the *pro bono* and referral public service volunteers and programs of YLD and Special Projects, Inc., including *pro bono* recruitment, Lawyers Care Referral Program, LREP, the public service programs sponsored by the Young Lawyers Division, and CAAP. Membership support represents State Bar's financial commitment, as approved by the Board, to Special Projects for the purpose of managing the programs identified herein.

| | |
|-----------------------|--------------------------|
| Expenses | |
| Membership Support | \$22,900 |
| Allocated G & A | <u>3,649</u> |
| Total Expenses | <u>(\$26,549)</u> |

G. Young Lawyers Division Programs

The Young Lawyers Division (YLD) provides opportunities for new lawyers to engage in public service. YLD plans to continue the following public legal service projects already in place:

- AIDS Law Panel
- Call-In Programs
- Today's Law School
- Homeless Legal Clinic

| | |
|------------------------|--------------------------------|
| Expenses | |
| Direct Expenses | \$3,900 |
| Allocated Direct Labor | <u>2,060</u> |
| | 5,960 |
| Allocated G & A | <u>2,733</u> |
| Total Expenses | <u><u>(\$8,693)</u></u> |

V. MEMBERSHIP SERVICES (see Note 5)

A. Services Offered by State Bar

1. Annual Convention

The Annual Convention provides continuing legal education opportunities and offers a setting for Sections, Divisions, and the Board to hold their annual meetings. The Summer 2002 Convention will be held in Sedona, Arizona.

| | | |
|-----------------------|----------------|---------------------------------|
| Revenue | | \$152,100 |
| Expenses | | |
| Direct Expenses | \$123,600 | |
| Direct Labor | <u>35,500</u> | |
| | 159,100 | |
| Allocated G & A | <u>72,941</u> | |
| Total Expenses | | <u><u>232,041</u></u> |
| Total, Net | | <u><u>(\$79,941)</u></u> |

2. Association/Membership Plans

In 2002, State Bar will continue membership agreements to further the array of services and benefits available to members of the State Bar. These programs include services and benefits such as a discount cellular telephone plan, auto leasing discounts, long distance discounts, disability and professional liability insurance, retirement plan, MBNA Visa Card, office supplies, delivery service, and health and life insurance.

| | | |
|-----------------------|--------------|------------------------------|
| Revenue | | \$6,000 |
| Expenses | | |
| Allocated G & A | <u>200</u> | |
| | \$436 | |
| Total Expenses | | <u><u>636</u></u> |
| Total, Net | | <u><u>\$5,364</u></u> |

3. Attorney Compensation/Salary Survey Report

In 2001, the State Bar conducted a salary survey to assist its members by providing current compensation data for various levels within the legal profession. This survey was produced in collaboration with the NM Legal Administrators Association. Revenue budgeted in 2002 will be generated from the sale of the report on the survey results.

| | | |
|----------------|--|----------------------------|
| Revenue | | <u><u>\$500</u></u> |
|----------------|--|----------------------------|

4. Bar Leadership Conference

An annual conference is sponsored by the State Bar to inform and train State Bar Sections, Committees, Divisions, voluntary and local bar leaders on leadership skills and cooperative programs and resources available from the State Bar.

| | |
|-----------------------|--------------------------------|
| Expenses | |
| Allocated G & A | <u>400</u> |
| | \$872 |
| Total Expenses | <u><u>(\$1,272)</u></u> |

5. Conference Rooms, Visiting Attorneys' Offices, Computer Resource Room

The Bar Center has conference rooms, visiting attorneys' offices, and a computer resource room offered free as a service to the members of the State Bar.

| | |
|--------------------------------------|---------------------------------|
| Expenses | |
| Bar Center Occupancy (See Note 7) | \$41,800 |
| Direct Labor | 3,787 |
| Allocated G & A | <u>20,900</u> |
| | \$66,487 |
| Total Expenses | <u><u>(\$66,487)</u></u> |

6. Lawyers Assistance Hotline

The Lawyer Assistance Hotline provides professional and peer assistance to State Bar members in need of assistance with substance abuse and depression.

| | |
|-----------------------|---------------------------------|
| Expenses | |
| Direct Labor | \$10,906 |
| Allocated G & A | <u>5,000</u> |
| | \$15,906 |
| Total Expenses | <u><u>(\$15,906)</u></u> |

7. Lending Library

A library of publications, videos and other resources is available to assist solo and small firm attorneys with general practice and law office management information. The revenue associated with this activity represents the postage and handling paid by the attorney.

| | | |
|-----------------------|----------------|--------------------------------|
| Revenue | | \$400 |
| Expenses | | |
| Allocated G & A | <u>500</u> | |
| | \$1,091 | |
| | 1,591 | |
| Total Expenses | | <u><u>(\$1,191)</u></u> |

8. LEXIS

LEXIS revenue presents the annual commission on sales for discount programs provided to members.

| | | |
|----------------|--|------------------------------|
| Revenue | | <u><u>\$5,000</u></u> |
|----------------|--|------------------------------|

9. Membership Forms

Each year, State Bar mails a form to all members providing information about dues, fee requirements and options. In addition, each member receives an embossed State Bar card.

Expenses

| | |
|-------------------------|--------------|
| Direct Expenses & Labor | \$4,690 |
| Allocated G & A | <u>2,150</u> |

Total Expenses (\$6,840)

10. Membership List

The membership list is available for the purpose of mailings to the membership. Labels or an electronic format of the membership database are sold to the membership as well as to outside entities. A copy of the Board policy outlining the formats and policy requirements for which the membership list can be sold, and the costs of labels or electronic format, is available upon request.

Revenue

| | |
|---------------------------------------|----------------|
| Sales | \$25,000 |
| Contra Tax Account- Gross Receipts | <u>(1,200)</u> |

Total Revenue **\$23,800**

Expenses

| | |
|------------------------|--------------|
| Supplies | \$2,000 |
| Allocated Direct Labor | <u>1,800</u> |
| | 3,800 |
| Allocated G & A | <u>1,742</u> |

Total Expenses 5,542

Total, Net \$18,258

11. Professionalism

Pursuant to the order of the Supreme Court creating the Commission on Professionalism, there will be both revenue and expenses in 2002 for the Commission on Professionalism for the ongoing support and development of professionalism. In 2002, the Commission on Professionalism will be one of the providers of Professionalism CLE. As such, the Commission's Professionalism CLE program will be offered live, on-line and for self-study by video replay. Revenue for this Commission-sponsored CLE will assist in deferring expenses associated with administering the program, building the Commission's professionalism clearinghouse (library), and operating the Commission and administering its meetings. In 2002, in addition to offering the CLE program, the Commission will be pursuing its communication efforts within the legal profession and to the public, by disseminating and collecting information through publications and through town hall meetings. The previously collected amounts were subject to the previous years' challenge process and, therefore, are not subject to this year's challenge process.

Revenue

| | |
|----------------------|--------------|
| Program Fees | \$101,400 |
| Previously Collected | 42,600 |
| Video Rental | <u>4,400</u> |

Total Revenue **\$148,400**

Expenses

| | |
|------------------------|---------------|
| Direct Expenses | \$34,800 |
| Allocated Direct Labor | <u>40,300</u> |
| | 75,100 |
| Allocated G & A | <u>34,430</u> |

Total Expenses 109,530

Total, Net \$38,870

12. Professional Development Center

The Bar Center's Professional Development Center (consisting of three classrooms) is available for outside groups and continuing legal education providers to rent to conduct courses and seminars. In 2002, rental fees for the Professional Development Center have been increased (see Note 5).

Revenue **\$110,000**

Expenses

| | |
|--------------------------------------|---------------|
| Bar Center Occupancy (See Note 7) | \$41,100 |
| Direct Labor | 31,400 |
| Food and Beverages | <u>21,600</u> |
| | 94,100 |
| Allocated G & A | <u>43,140</u> |

Total Expenses 137,240

Total, Net (\$27,240)

13. Visa/MasterCard/Discover Merchant Fees

In order to enable its members to pay State Bar fees and registrations with credit cards, State Bar must incur a merchant fee equal to 3.67 percent of the credit card charges processed for VISA or MasterCard and 2 percent for Discover. 2002 fees are based on 2000 and 2001 actual fees.

Expenses

| | |
|-------------------------|---------------|
| Direct Expenses & Labor | \$26,174 |
| Allocated G & A | <u>12,000</u> |

Total Expenses (\$38,174)

14. Membership Outreach

In 2002, State Bar will continue its outreach and communication efforts to the membership and to promote collaboration and support to voluntary bars.

Expenses

| | |
|-------------------------|--------------|
| Direct Expenses & Labor | \$2,945 |
| Allocated G & A | <u>1,350</u> |

Total Expenses (\$4,295)

B. Committees Providing Services to Members

In 2002, the State Bar is funding the following committees whose primary purposes are to improve the quality of membership services. Each committee may submit a request for disbursement of funds from the designated pool of committee resources (see Note 1 (III)). For the total list of committees participating in the "Committee Pool," see pages 12 and 16. The specific functions of these committees are shown as follows:

1. **Advisory (Ethics) Opinions Committee.** To assist attorneys with interpretation and application of the Rules of Professional Conduct, advisory opinions are provided to requesting attorneys and are published in the *Bar Bulletin* and on the Bar's Website.
2. **Board of Editors.** Serves as the editorial committee for the *Bar Bulletin* and *Bar Journal*.
3. **Commission on Professionalism.** Improves professionalism through awareness, education, and recognition.
4. **Committee on Women and the Profession.** Promotes the participation of and opportunities for women in the legal profession. Acts to improve interaction between the legal and judicial systems and other women participants.
5. **Diversity in the Legal Profession.** Promotes outreach, renewed enthusiasm, interest, and involvement in issues and programs relating to diversity in the profession, and will follow-up on the recommendations of the "1999 Report on the Status of Minority Attorneys in New Mexico."
6. **Historical Committee.** Acquires and maintains historical information relating to the State Bar and provides articles of historical interest for publication in the *Bar Journal*.
7. **Law Practice Management Committee.** Develops and provides resources for attorneys to more effectively manage their law practices. Efforts include seminars, publications, and other tools and resources that benefit State Bar members, especially solo and small firm practitioners.
8. **Lawyers Assistance Committee.** Provides education and peer assistance to the State Bar members on substance abuse and depression.
9. **Lawyers Malpractice Insurance Committee.** Reviews the endorsed professional liability insurance program, and studies other professional liability and malpractice issues.
10. **Medical-Legal Grievance Committee.** Attempts to resolve specific complaints between the two professions.
11. **Medical-Legal Liaison.** Addresses basic issues of mutual concern to the two professions: e.g., the Medical Malpractice Act.
12. **Membership Services Committee.** Identifies and reviews programs and benefits to assist and serve State Bar members.
13. **Quality of Life.** Studies quality of life issues and implements recommendations of the Quality of Life Task Force.
14. **Technology Utilization Committee.** Assists with the education and promotion of technology in the legal profession.

C. Young Lawyers Division Programs

1. **Membership Outreach.** YLD will continue its membership outreach in 2002 by providing professional development CLE courses, a leadership training program, and by providing the membership programs listed below:

- Awards
- Bar Exam Support Programs
- Bench/Bar Activities
- CLE
- Law Day
- Leadership Training Institute
- Membership Communication
- Newsletter
- Pamphlets
- Swearing-in Receptions
- UNM Programs

Expenses

| | |
|------------------------|---------------------------------|
| Direct Expenses | \$14,900 |
| Allocated Direct Labor | <u>7,870</u> |
| | 22,770 |
| Allocated G & A | <u>10,440</u> |
| Total Expenses | <u><u>(\$33,210)</u></u> |

2. **Administration.** YLD administration includes expenses for meetings, travel, postage, letterhead, supplies and duplicating.

Expenses

| | |
|------------------------|---------------------------------|
| Direct Expenses | \$11,300 |
| Allocated Direct Labor | <u>5,969</u> |
| | 17,269 |
| Allocated G & A | <u>7,917</u> |
| Total Expenses | <u><u>(\$25,186)</u></u> |

D. Senior Lawyers Division

The Senior Lawyers Division was created to foster professional development and to utilize the knowledge and experience of its members to assist the State Bar and its programs and activities. Its programs for 2002 include assisting the State Bar's *Pro Bono* and Referral Division with the KOB-TV Call-In Program and membership partnership programs with the YLD.

Expenses

| | |
|------------------------|--------------------------------|
| Direct Expenses | \$1,500 |
| Allocated Direct Labor | <u>4,100</u> |
| | 5,600 |
| Allocated G & A | <u>2,568</u> |
| Total Expenses | <u><u>(\$8,168)</u></u> |

E. Sections Administration

The State Bar has 19 Sections relating to practice areas. The Sections are funded with voluntary dues by their members and fees generated through the production of seminars and sale of publications. State Bar provides administrative support to each Section. Sections are permitted to lobby the legislature on law-related subjects, provided such lobbying is not identified as sponsored by State Bar and complies with Board Policy 7.2. Administrative time is spent ensuring that Sections follow State Bar Bylaws and policy regarding lobbying.

| | | |
|-----------------------|---------------|--------------------------|
| Revenue | | \$43,600 |
| Expenses | | |
| Section Expenses | \$43,600 | |
| Direct Labor | <u>16,500</u> | |
| | 60,100 | |
| Allocated G & A | <u>27,553</u> | |
| Total Expenses | | <u>87,653</u> |
| Total, Net | | <u>(\$44,053)</u> |

VI. LEGISLATIVE ACTIVITY

A. Lobbying Approved by the Board of Bar Commissioners

The Board has determined that it may undertake necessary lobbying activities with the State Legislature in 2002; however, specific efforts will be reported to the membership if and when lobbying activities are approved by the Board, consistent with Bylaws, Article XI. No mandatory dues have been allocated for lobbying activities in 2002. In the event that lobbying activities are approved and subsequently reported to the membership in 2002, lobbying efforts will be conducted by volunteers or will be paid from voluntary contributions received in prior years and previously set aside for lobbying. As in the past, the Board may also write to the Congressional delegation in support of legal services funding. A copy of the Lobbying Policy is available on request.

B. Sections' Lobbying Activities

Sections are funded by voluntary dues. Sections may engage in lobbying activities within the area of legal expertise of the Section. The activity may include content-neutral assistance or lobbying for or against legislation. State Bar Policy 7.2(E)(2) requires that prior to lobbying, the Section must obtain a two-thirds vote of the Section's board of directors after reasonable notice to the membership and the Board. The Board can disapprove Section lobbying only if the Section did not follow the procedures for giving notice to the Section members and voting by the Section directors. When a Section lobbies, its views are not represented as those of State Bar, and the representatives are required to identify their position as those of the Section and not of State Bar.

The only staff support given to Section lobbying is to ensure that the procedures in Policy 7.2(E)(2) are followed. Because the Board does not consider this staff activity to be lobbying, neither staff time nor overhead associated with these activities are identified in the budget.

VII. 2000 Nonbudgeted Expenditures

The Board of Bar Commissioners approved a nonbudgeted expenditure of \$17, 580 at their March 31, 2000 meeting. The Board agreed to split the Legal Advertising Committee's debt of \$35,160 with the Disciplinary Board. These monies have been audited and are a part of the 2000 annual audit of financial statements.

VIII. 2001 Nonbudgeted Expenditures

Any material 2001 nonbudgeted expenditures determined to be germane and approved by the Board of Bar Commissioners will be reported in the 2003 Budget Disclosure Document, at which time any such expenditures will have been audited as part of the 2001 annual audit of financial statements.

NONCHARGEABLE

The Board of Bar Commissioners has determined that all of the proposed expenditures for 2002 are necessary or reasonably related to the legal profession or improving the quality of legal services to the people of the State of New Mexico and, therefore, all dues related expenditures are chargeable to fees for all members.

Note 2. Distribution/Allocation of Direct Salaries, Taxes and Benefits

Direct labor distributions and allocations were based on daily time sheets designed to track State Bar staff time by specific State Bar programs. Unassigned staff time was valued and reflected as a component of general administration (G & A). Departmental G & A was then allocated to activities of that department in a manner consistent with Judge Burciaga's "Second Order" (see Note 6).

Administration time that can be identified with related matters such as personnel, accounting, etc., is allocated as follows:

Allocation of labor costs related to personnel matters is allocated based on the ratio of departmental employees to total employees. This ratio is set based on the full-time equivalent employees as of June 30.

Allocation of State Bar labor costs related to the preparation for and participation in the year-end annual audit of State Bar and related entities is based on the relationship of the aggregate of budgeted non-dues revenue and direct out-of-pocket expenses by specific activities in relationship to the whole.

Allocation of State Bar labor costs related to the collection of the annual dues is based on the ratio of members in each entity in relationship to the total for all entities.

Allocation of direct State Bar labor costs related to the month-end close of the general ledgers of each of the State Bar activities/related entities is based on the relationship of the aggregate of budgeted non-dues revenue and direct out-of-pocket expenses by specific activities in relationship to the whole.

Note 3. General Administration Labor & Benefits Expense Distribution

Gross salary and benefits related to the Executive Offices, Systems Office and Accounting Office have been accounted for, and/or charged, in the following manner:

| | |
|---|-------------------------|
| Gross Salary and Benefits | \$951, 828 |
| Less Amounts Charged Directly to State Bar-Interdepartment Direct Labor | <u>(714,728)</u> |
| Amount to General Administration, Administration Office | <u>\$237,100</u> |

Note 4. Communications

A. Revenue

Publications

Bar Bulletin (weekly) and *Bar Journal* (magazine)

As discussed in Note 1, in 2002, membership publications will include a weekly publication, the *Bar Bulletin*, and a quarterly magazine, the *Bar Journal*. Advertising revenue resulting from these publications has been budgeted based on the following assumptions:

| | Full page Equivalent Advertising | Forecasted Revenue |
|---|-------------------------------------|-------------------------|
| Advertising: | | |
| <i>Weekly Bar Bulletin:</i> | | |
| Display Ads | 6 | \$109,300 |
| Classified Ads | 3 | 80,600 |
| <i>Bar Journal Magazine:</i> | | |
| Display Ads | 5 | <u>15,600</u> |
| | | 205,500 |
| Subscriptions: | | |
| <i>Bar Bulletin</i> | | 6,500 |
| <i>Bar Journal</i> | | <u>900</u> |
| | | 7,400 |
| | | 212,900 |
| Less Related Gross Receipts Tax (rounded) | | <u>(12,400)</u> |
| Total Revenue | | <u>\$200,500</u> |

2002 *Bar Bulletin* advertising revenue is projected to remain consistent with the projected 2001 revenue amounts. In 2002, *Bar Journal* magazine advertisers will be offered a discount from the single-issue rate when an annual advertising contract is signed. The estimated revenues for 2002 reflect this pricing arrangement. There is an increase for non-attorney subscriptions to the *Bar Bulletin* of \$5 per subscription. The assumption is that there will be fewer subscribers in 2002.

Bench and Bar Directory

Projected *Bench and Bar Directory* advertising revenue for 2002 is forecasted to be equal to 2001's projected annual revenue.

Forecasted directory sales revenue is expected to decrease eight percent over 2001 due to the expected use of an on-line directory search, which may affect the number of printed copies sold.

Revenue

| | |
|--|------------------------|
| Forecasted 2002 Advertising | \$20,000 |
| Forecasted Directory Sales | <u>40,000</u> |
| 2002 Forecasted <i>Bench and Bar Directory</i> Revenue | 60,000 |
| Less Related Forecasted Gross Receipts Tax | <u>(3,800)</u> |
| 2002 Forecasted <i>Bench and Bar Directory</i> Revenue, Net | <u>\$56,200</u> |

Outside Production

For 2001, revenue related to outside production, reduced by direct expenses, generated a profit margin of 21 percent prior to any allocation of general and administrative overhead burden. 2002 production revenue and expense are budgeted with the assumption that there will be no change in production jobs.

2001 Forecasted Revenue:

| | |
|---|-------------|
| Historic Revenue at June 30, 2001 | \$10,300 |
| Annualized | <u>÷ 50</u> |
| Forecasted Revenue at December 31, 2001 | \$20,600 |

Budget Forecasted Revenue at December 31, 2002 \$21,000

Website

Revenues will be generated through development of 300 expanded attorney pages, 200 links to existing attorney web pages, and advertising and affinity programs advertised on the State Bar's Website. Revenues will also be generated through development and maintenance of specific law-related sites.

| | |
|---|----------------|
| Revenue | |
| Attorney Pages (300 pages @ 100 each) | \$30,000 |
| Advertising & Affinity Plans (150 @ \$100 each, 10 @ \$210 each) | 17,100 |
| Hotlinks (200 links @\$25 each) | 5,000 |
| CLE Maintenance Fee | 2,200 |
| Website Administration Fee | 2,200 |
| Contra Tax Account-Gross Receipts | <u>(3,000)</u> |

Total Revenue \$53,500

B. Expenses

Expenses of the Communications Division have been categorized as follows:

- Direct material expense
- Direct labor expense
- Communications Offices overhead, representing expenses that are not directly attributable to a particular production project

The Communications Division expenses were adjusted to reflect a marginal rate of inflation.

Communications Labor and Benefits Expense Distribution

Communications Division direct labor and related benefits are charged directly to projects based on the actual hours captured by the Division's internal job sheets. Any remaining uncharged amounts have then been charged to the Communications Division G & A (see Note 2 regarding the distribution/ allocation of direct salaries and benefits).

The above method of accounting resulted in the following:

| | |
|--|-------------------------|
| Account Distribution | Amount |
| Gross Salary and Benefits | \$252,340 |
| Less: | |
| <i>Bar Bulletin</i> , Labor Expense | \$57,300 |
| <i>Bar Journal</i> , Labor Expense | 12,800 |
| <i>Bench and Bar Directory</i> , Labor Expense | 5,800 |
| Outside Production, Labor Expense | <u>10,900</u> |
| | <u>(86,800)</u> |
| | 165,540 |
| Add Amounts Charged Directly from State Bar-Interdepartmental Direct Labor | <u>67,240</u> |
| Amount to Communications Offices G & A (rounded) | <u><u>\$ 98,300</u></u> |

Communications Division G & A is allocated to divisional activities based on a percentage of total production expenses to all projects generated by the division, such as the *Bar Bulletin* and *Bar Journal*.

Note 5. Membership Administration and Support

Annual Convention

Revenue for the 2002 Annual Convention is based on projections from the following sources:

- Registration fees
- Exhibit fees
- Sponsor fees

Sedona, Arizona is the site for the 2002 Annual Convention. Management estimates convention attendance and expenditures to approximate those held in outlying areas in previous years. Registration fees have been budgeted at \$50. This would provide gross convention registration revenue of approximately \$54,300. It is forecasted that 2002 exhibit fees will be approximately \$4,400. Sponsor fees for 2002 are forecasted at \$20,000; special events, approximately \$3,400; and CLE program support, \$70,000. Therefore, gross convention revenue for 2002 is forecasted to be approximately \$152,100.

LEXIS

Management has estimated the 2002 activity to be equivalent to 2001 or approximately \$5,000.

Membership List

Label billings range from .005 cents per label for internal State Bar use to 25 cents per label for outside, non law-related organizations. For approved requests, membership data is also available electronically at a cost of \$50 for active listings and \$75 for active and inactive listings.

Forecasted revenue for 2002 is \$25,000, based on the assumption that 2002 revenues should be consistent with 2001 actual revenues.

Professional Development Center

The Bar Center space owned by State Bar provides three classrooms and three conference rooms. The classrooms may be offered as three individual rooms or as one double room and one single room. During 2001, these classrooms were rented by CLE of Special Projects and numerous third-party entities, including an annual contract with the University of New Mexico (UNM). Management believes that UNM will renew the contract and anticipates increased use and rate of the Bar Center in 2002 resulting in a projected revenue increase of 14 percent. "Food and beverage" itemized below includes direct cost for food and beverages, page 15, and labor expenses to order stock and setup food and beverages for third-party entities. Rental fees will slightly increase in 2002 as follows: \$25 increase for-profit third-party entities; \$15 increase for government-related entities. There will be no rental fee increase for State Bar membership rentals or for State Bar CLE room rentals.

| | |
|-----------------------------------|-------------------------|
| UNM 2002 Estimated Utilization | \$20,000 |
| CLE and Third-Party Utilization | 51,000 |
| Food and Beverage Sales | 33,000 |
| Equipment Rental | 9,000 |
| Contra Tax Account-Gross Receipts | <u>(3,000)</u> |
| | <u>\$110,000</u> |

Sections

State Bar offers attorneys interested in promoting programs on specific, substantive issues of the law the opportunity to become active in the recognition of these legal issues by forming Sections specifically devoted to these issues. Separate accounts are maintained for the operations of each Section. Funds are raised by State Bar members' Section dues.

Section revenue is derived from voluntary fees paid by members requesting to join a particular Section.

The 2002 Section membership revenue is based on the 2001 activity.

| | |
|--|------------------------|
| Projected 12/31/02 Section Membership | 3,270 |
| Average Fee per Section | <u>\$13.33</u> |
| Projected 2002 Section Membership Revenue (rounded) | <u>\$43,600</u> |

B. Expenses

Membership services expenses for 2002 have been forecasted based on the following assumptions:

Membership

Expenses will remain consistent with 2001 for the Lawyers Assistance Hotline, membership forms, and membership list.

Professionalism

Pursuant to the New Mexico Supreme Court Order that created a Commission on Professionalism to become operational in 2001, the Commission will continue its administrative and operational functions and responsibilities in 2002. In 2002, the Commission will develop and provide a Professionalism CLE Program, continue to build a professionalism clearinghouse (library containing publications, videotapes, resources and course materials), and will serve as an advisory commission to oversee and develop programs, resources and services to support professionalism for New Mexico lawyers and judges. Revenue from the Professionalism CLE Program, rental fees from videotapes and materials, and carryover funds from 2001 are outlined below.

Revenue

| | |
|--|---------------|
| Projected 12/31/02 Prof. Course attendance | 2,600 |
| Fee per Course | <u>\$39</u> |
| Revenue projected for 2002 | 101,400 |
| Video Replay Revenue | 4,400 |
| Previously Collected | <u>42,600</u> |

Total Revenues **\$148,400**

Expenses for the Commission in 2002 will include the development and duplication costs of course materials for the Commission's Professionalism CLE Program, MCLE filing fees for the program, travel and training expenses for Commission officers and staff, marketing expenses to develop, print and distribute the clearinghouse (library) catalog, costs to purchase, duplicate and distribute videotapes, and travel expenses for Commission members and staff to attend local and voluntary Bar meetings and town hall programs around the state. These expenses are detailed next.

Expenses

| | |
|-----------------------------------|------------|
| Materials (\$5 per attendee) | \$13,000 |
| Travel | 8,200 |
| MCLE Filing (\$1 per credit hour) | 5,300 |
| Marketing: | |
| Library Catalog | 5,000 |
| Brochure | 1,100 |
| Video: | |
| Duplicating | 1,600 |
| Taping | <u>600</u> |

Total Expenses **\$34,800**

Professional Development Center

Total expenses consist of Bar Center occupancy, contract and direct labor, and an allocated portion of indirect costs. Bar Center occupancy is allocated based on total square footage used (see note 7).

Committees and Divisions

Direct expenses are charged to the following programs: Senior Lawyers Division, Young Lawyers Division, Sections, State Bar G & A, and Committees.

Direct expenses prior to direct labor allocations have been forecasted based on individual budgets generated by the respective Committees and Divisions, which were previously approved by the Finance Committee on August 9, 2001. The total gross Committees budget does not exceed the gross budget approved by the Board at the October 12, 2001 meeting. Sections direct expenses have been forecasted to equal forecasted revenues.

Note 6. Second Order

On January 25, 1994, Judge Burciaga, in *Popejoy vs. New Mexico Board of Bar Commissioners*, entered a second order (hereinafter "Second Order") requiring the State Bar to further allocate the functional category "General Administration" (G & A) to specific State Bar programs. Pursuant to the Second Order, G & A has been allocated based on a *pro rata* relationship of gross program expenses/expenditures and deferrals, net of depreciation, to the State Bar total expenditures.

G & A represents the indirect expenses associated with the Divisions of Communications, Membership Administration and Support, and Administration. To the extent components of G & A were associated with a specific function, that component of G & A was specifically allocated to activities of that function. For example, Membership Administration and Support's G & A represents salaries and other expenses devoted exclusively to administration of membership services and the State Bar's numerous Sections, Committees and Divisions. Thus, all G & A expense for Membership Administration was allocated on a *pro rata* cost basis solely to the Division. In the event a particular Membership Service Program, Section, Committee or Division's challenge is honored, that individual activity will be allocated its respective *pro rata* share of the indirect G & A.

Note 7. Land, Ownership, Bar Center

State Bar and Special Projects hold ownership in the Bar Center as tenants-in-common. Special Projects' funding for its share of the Bar Center is provided through cash donations received specifically for the Bar Center. As remaining outstanding pledges are collected by Special Projects, Special Projects will continue to acquire ownership interest in the Bar Center from State Bar. It is expected that Special Projects will ultimately own approximately 37 percent of the Bar Center by December 2002, or one percent more than at December 31, 2001.

State Bar's ownership percentage has been provided through its contribution of approximately 2.2 acres of land for the Bar Center site and the assumption of approximately \$1,589,000 in mortgage debt. This debt is anticipated to be liquidated through the sale of the building interest to Special Projects, building space rental receipts, and the collection of the \$25 active members' dues and \$10 young lawyer members' dues as authorized in 1989 by the New Mexico Supreme Court.

During 1996, Continuing Legal Education of New Mexico, Inc. (CLE) merged into Special Projects. And the Lawyers Care Program was transferred from State Bar to Special Projects. Management transferred the Statewide Lawyer Referral Program from State Bar to Special Projects in December 1997. For the purposes of identification and designation of the Bar Center floor space for 2002, Special Projects activities include CLE, Lawyers Care Referral, CAAP, and LREP, as well as the auditorium. This is consistent with 2001 allocations.

During 1996, the Bar "built out" approximately 2,000 square feet of previously unfinished building space. The Bar Center building now provides 23,793 square feet of usable space for which State Bar has fiscal responsibility for 14,989 square feet of that office space based on projected 2002 ownership percentages.

Based on the projected building ownership percentages for 2002, the State Bar will be responsible for approximately 63 percent of building utilities, maintenance and personnel.

State Bar financed the Bar Center through a 15-year mortgage loan at a fixed rate of eight and one half percent. Therefore, principal and interest due the bank in 2002 are estimated to be approximately \$98,000 and \$83,000 respectively. Since the entire outstanding loan was used to finance the State Bar's ownership percentage in the Bar Center, 100 percent of the related interest and principal obligations are the responsibility of the State Bar.

Expenses/Expenditures, net of allocation to Special Projects

| | |
|-------------------------|--------------|
| Building Interest | \$98,000 |
| Utilities | 28,300 |
| Janitorial and Supplies | 18,900 |
| Repairs and Maintenance | 8,400 |
| Real Estate Taxes | 6,600 |
| Direct Labor | 2,800 |
| Landscape Maintenance | 4,100 |
| Property Insurance | <u>4,700</u> |

Total State Bar Building Occupancy Cost **\$171,800**

Less Departmental Occupancy Allocations:

| | <u>Sq. Ft.</u> | |
|-------------------------------------|----------------|-----------------|
| Professional Development Center | 3,587 | \$(41,100) |
| Conf. Rooms, Visiting Atty Offices | 3,646 | (41,800) |
| Administration | 3,193 | (38,900) |
| Communications/Print Shop | 2,874 | (32,000) |
| Div. of Membership Admin. & Support | 438 | (5,000) |
| Website | <u>204</u> | <u>(1,000)</u> |
| | 13,942 | (159,800) |

Expense Reimbursement:

| | | |
|--------------------------|--------------|-----------------|
| Court Regulated Programs | <u>1,047</u> | <u>(12,000)</u> |
|--------------------------|--------------|-----------------|

Total, Net **14,989** **\$0**

THIS PAGE LEFT BLANK INTENTIONALLY