

2003 BUDGET DISCLOSURE

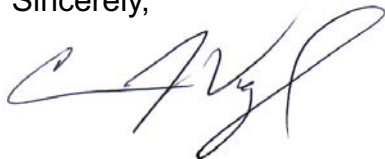
Dear Members:

The Board of Bar Commissioners has approved the following budget for calendar year 2003. The budget is published in its entirety for the benefit of State Bar members, and to provide an opportunity for members to object to any proposed expenditure in the budget that is not 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 total by categories, while the remaining pages provide explanations and further breakouts of the expenditures by category.

The expenditures for the State Bar in 2003 will be approximately \$2,094,600. Of this amount, \$829,900 is expected to be supported by non-dues revenue.

The State Bar anticipates that 2003 will be a very difficult year financially. Nevertheless, the State Bar has not had a membership dues increase since 1993, and once again, there will not be a membership dues increase in 2003. In 2003, the State Bar has submitted a request to the Supreme Court to collect a supplemental dues assessment of \$15 per active status attorney to replenish the Client Protection Fund. The financial condition of the State Bar has improved over recent years, and the Board of Bar Commissioners is proud of the many programs and services the State Bar provides to the membership and the public.

Sincerely,



Charles J. Vigil
Secretary-Treasurer

YOUR DUES FOR 2003

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 (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 non-chargeable;
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 v. 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 decision-maker to address unaccepted objections, see *Chicago Teachers Union v. Hudson*, 475 U.S. 29 (1986).

The Board of Bar Commissioners has determined that all proposed expenditures for 2003 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 non-chargeable activities for 2003 are included with the Budgeted Statement of Chargeable and Non-Chargeable 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 non-chargeable expense. A member who wishes to make such a challenge is hereinafter referred to as "challenger." A challenger must state 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 December 20, 2002; delivered in person; or sent by fax to the State Bar's office before 5:00 p.m. on December 23, 2002. The State Bar's fax number is (505) 797-6019. A form which may be used for challenges appears on the last page of this document.

Upon receipt of the properly and timely submitted challenge, the Board of Bar Commissioners shall decide at its next regularly scheduled or special meeting whether to honor the challenge by eliminating the expenditure from the budget, refunding the challenged dues, or submitting the dispute to the impartial decision-maker, who will be designated by the New Mexico Supreme Court to hear challenges to the 2003 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 decision-maker will issue a written decision on whether or not a challenged expenditure is chargeable or non-chargeable to fees. If the proposed expenditure is found to be non-chargeable, 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 decision-maker 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 visiting our Website at www.nmbar.org, calling 797-6000 or by writing the State Bar office at 5121 Masthead NE, Albuquerque, NM 87109.



MEYNER'S +
COMPANY, LLC
<i>Certified Public Accountants/</i>
<i>Consultants to Business</i>
500 Marquette NW, Suite 400
Albuquerque, New Mexico 87102
P 505/842-8290
F 505/842-1568
E cpa@meyners.com

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 non-chargeable expenses/expenditures by functional category (the statement) of the State Bar of New Mexico for the year ending December 31, 2003. 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 1 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.

November 7, 2002

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, 2003

	Expenses/ Expenditures & Deferrals Net of Depreciation Before Allocations	Allocation of Admin. Overhead	Non-Dues Funded	Net Funded by Dues	Percentage of Dues Funded
CHARGEABLE					
I. STATE BAR GOVERNANCE, ADMINISTRATION & ORGANIZATION					
A. Board of Bar Commissioners (page 7)	\$89,700	\$14,208	—	\$103,908	8.22%
B. General Administration					
1. Administration Division (pages 7-8)	286,400	(286,400)	—	—	—
2. Communications Division (pages 8-9)	172,800	(172,800)	—	—	—
3. Membership Administration and Support Division (page 9)	121,900	(121,900)	—	—	—
C. Capital Outlay (page 9)	182,600	28,922	—	211,522	16.74%
D. Litigation					
1. Popejoy/Keller Challenge Procedure (page 10)	32,800	5,195	—	37,995	3.00%
2. General Litigation (page 10)	100	16	—	116	0.01%
E. World Wide Web Site (page 10)	89,300	14,144	25,000	78,444	6.20%
II. COMMUNICATIONS, PUBLICATIONS & PUBLIC LEGAL EDUCATION					
A. Publications					
1. Bar Journal (page 10)	21,300	14,807	8,600	27,507	2.17%
2. Bar Bulletin (page 11)	250,800	174,351	186,900	238,251	18.84%
3. Bench and Bar Directory (page 11)	70,800	49,218	78,400	41,618	3.29%
B. Outside Production (page 11)	30,000	20,856	40,000	10,856	.86%
C. Other Public Education/Information Initiatives (page 11)	—	—	—	—	—
III. COMMITTEES (pages 11-12, 15)	43,400	21,123	—	64,523	5.10%
IV. PUBLIC SERVICE: Legal Services, Legal Information & Assistance					
A. Committees (See III above)	—	—	—	—	—
B. Client Protection Fund (page 12)	85,300	13,511	85,300	13,511	1.07%
C. Consumer Attorney Assistance Program (page 12)	95,700	15,158	—	110,858	8.77%
D. Lawyers Care Referral Program (page 12)	49,900	7,904	—	57,804	4.57%
E. Lawyer Referral for the Elderly Program (page 12)	48,100	7,619	—	55,719	4.41%
F. Pro Bono and Referral Director (page 13)	7,000	1,109	—	8,109	0.64%
G. Public Service Programs (page 13)	30,000	4,752	—	34,752	2.75%
H. Young Lawyers Division Programs (page 13)	5,761	2,804	—	8,565	0.68%

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, 2003

	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 State Bar	\$114,000	\$55,484	\$100,000	\$69,484	5.49%
1. Annual Convention (page 13)	—	—	7,200	(7,200)	-0.57%
2. Association/Membership Plans (page 13)	—	—	500	(500)	-0.04%
3. Attorney Compensation/Salary Survey Report (page 13)	500	243	—	743	0.06%
4. Leadership Resources (page 13)	33,000	16,061	—	49,061	3.88%
5. Conference Rooms, Visiting Attorneys' Offices Computer Resource Room (page 14)	10,500	5,110	—	15,610	1.23%
6. Lawyers Assistance Hotline (page 14)	—	—	300	(300)	-0.02%
7. Lending Library (page 14)	—	—	5,000	(5,000)	-0.40%
8. LEXIS (page 14)	—	—	—	7,731	0.61%
9. Membership Forms (page 14)	5,200	2,531	—	7,731	0.61%
10. Membership List (page 14)	2,000	973	—	(14,527)	-1.15%
11. Commission on Professionalism (page 14)	30,700	14,942	17,500	(14,527)	-1.15%
12. Professional Development Center (page 15)	81,800	39,812	117,800	(72,158)	-5.71%
13. VISA/MasterCard/ American Express/ Discover Merchant Fees (page 15)	18,000	8,761	115,500	6,112	0.48%
14. Membership Outreach (page 15)	600	292	—	26,761	2.12%
15. Mentorship (page 15)	200	97	—	892	0.07%
B. Committees Providing Services to Members (pages 15-16) (See III above)				297	0.02%
C. Young Lawyers Division Programs					
1. Membership Outreach (page 16)	12,539	6,103	—	18,642	1.47%
2. Administration (page 16)	12,200	5,938	—	18,138	1.43%
D. Senior Lawyers Division (page 16)	3,200	1,558	—	4,758	0.38%
E. Sections Administration (page 16)	56,500	27,498	41,900	42,098	3.33%
VI. LEGISLATIVE ACTIVITY					
A. Lobbying Approved by the Board of Bar Commissioners (page 16)	—	—	—	—	—
B. Sections' Lobbying Activities (page 17)	—	—	—	—	—
TOTALS	\$2,094,600	—	829,900	1,264,700	100%
VII. NON-BUDGETED 2001 EXPENDITURES (page 17)					
VIII. NON-BUDGETED 2002 EXPENDITURES (page 17)	\$2,306	—	—	2,306	—
IX. CONTINGENCY-LABOR RELATIONS (page 17)	—	—	—	—	—
NONCHARGEABLE (page 17)	—	—	—	—	—

2003 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, 2003**

NATURE OF BUSINESS

State Bar of New Mexico (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 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 non-chargeable expenses/expenditures by functional category. Accordingly, the budget presents management's judgment, as of November 07, 2002, 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 2003 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 collected.

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.

Basis of Presentation

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.

Presentation Purpose

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 (non-chargeable).

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 8.

Note 1. Description of Categories

CHARGEABLE

I. STATE BAR GOVERNANCE, ADMINISTRATION AND ORGANIZATION

A. Board of Bar Commissioners

The Board of Bar Commissioners (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. The Board meets four to eight times a year; and in 2003, there will be seven 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 2003 there will be one meeting held outside of Albuquerque in connection with the Annual Convention. The Long Range Planning Retreat will be held in conjunction with a regular Albuquerque meeting. 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 2002 budget because the 2003 President resides in closer proximity to the bar center. In-state travel expenses for the President will cover attendance of certain Board Committee meetings and other State Bar business.

The 2003 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 (Seattle) and Annual (San Francisco) meetings; the President and President-Elect will attend the Western States Bar Conference (Hawaii); and the President-Elect will attend the Bar Leadership Institute (Chicago).

In a continuing effort to prioritize the philosophical and programming decisions of the State Bar, the Board has decided to budget the Long Range Planning Retreat with a regularly planned Board meet-

ing in 2003. 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	\$45,600
Meetings	25,100
Travel	11,200
Teleconferences	6,000
Miscellaneous	1,000
In-State Travel	500
Administrative Support for President	<u>300</u>
	89,700
Allocated G & A	<u>14,208</u>

Total Board Expenses \$(103,908)

B. General Administration

General administration (G & A) expenses are incurred to provide staff 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 implementation of Board policies.

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 2003 allocations of direct labor costs are based primarily on 2002 time studies and outside billings through June 2002. 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 2003 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 Project's programs (Center for Legal Education, 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, Web site 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 7 for the allocation of other G & A expenses):

Revenue

Administrative Fees:	
Dues Late Fees	\$47,000
Center for Legal Education	17,600
Disciplinary Board	13,100
Duplication	9,000
Interest	7,500
Lawyers Care Referral	5,300
MCLE	3,500
Defense Lawyers Association	4,100
LREP	2,800
Dues Collection Fee	2,500
Legal Specialization	2,100
Legal Advertising	1,200
Consumer Attorney Assistance Program	900
Legal Assistants Division	600
Bar Center/General	600
NSF Fees	600
Miscellaneous	500
Total G & A Revenue	<u>\$118,900</u>

Expenses

Salaries, Taxes and Benefits, Net (see Note 3)	221,500
Equipment Maintenance	43,200
Bar Center Occupancy (See Note 8)	29,000
Audit	22,700
Insurance	18,400
Duplication, Supplies and Postage	16,200
Printing and Telephone	10,600
Human Resources	8,900
Advertising	6,500
Education and Travel	5,700
Pension Administration	5,500
Interest on Capital Leases	5,200

Bank Fees	5,000
Dues and Subscriptions	3,000
Taxes, Fees and Filings	2,200
Miscellaneous	1,000
Internet	<u>700</u>

Total Administration Expenses	<u>405,300</u>
Net Administrative Expenses	<u>(286,400)</u>
Less Allocated G & A	<u>286,400</u>
	<u><u>\$0</u></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)
- 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 7 for the allocation of other G & A expenses):

Expenses:

Salaries, Taxes and Benefits, Net (see Note 5)	\$127,000
Bar Center Occupancy (See Note 8)	26,100
Equipment Maintenance	10,000
Duplication, Telephone and Postage	2,900
Insurance	2,800
Travel/Education	2,500
Printing Supplies	300
Internet	700
Miscellaneous	300
Dues and Subscriptions	<u>200</u>
 Total Communications Expenses	 (172,800)
 Less Allocated G & A	 <u>172,800</u>
	<u><u>\$0</u></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 7 for the allocation of other G & A expenses):

Expenses

Direct Labor	\$111,600
Bar Center Occupancy (See Note 8)	3,900
Duplication, Supplies, Postage, Printing and Telephone	4,000
Marketing	1,000
Internet	700
Travel/Education	400
Miscellaneous	200
Dues and Subscriptions	<u>100</u>
 Total Membership Administration and Support Expenses	 (121,900)
 Less Allocated G & A	 <u>121,900</u>
	<u><u>\$0</u></u>

Activities charged to Membership Administration and

Support G & A are:

- General clerical
- Interdepartmental projects
- Leaves/holidays (paid time off)
- Liaison to statewide local and voluntary bars
- Personnel management
- Professional meetings/training and education
- Staff meetings and communications

C. Capital Outlay

During 2003, 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	\$129,500
Capital Lease Principal Payments:	
Computer	29,200
Copier	11,700
Mailing Machine	7,200
Fixed Asset Additions:	
Furniture & Fixtures	<u>5,000</u>
	182,600
Allocated G & A	28,922
Total Capital Outlay	<u><u>(\$211,522)</u></u>

D. Litigation

1. Popejoy/Keller Challenge Procedures

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

Expenses

Direct Labor (Time Keeping)	\$16,500	
Accounting and Budget Audit	12,800	
Printing	2,500	
Arbitrator Fees	1,000	
	<u>32,800</u>	
Allocated G & A	5,195	
Total Expenses		<u>(\$ 37,995)</u>

2. General Litigation

State Bar is not currently involved in any lawsuit and, therefore, does not anticipate any litigation expenses in 2003. A minimal amount of \$100 is budgeted for any miscellaneous matters that may require direct staff labor charges.

Expenses	\$100	
Allocated G & A	16	
Total Expenses		<u>(\$ 116)</u>

E. World Wide Web Site

The State Bar's Web site, located at www.nmbar.org, contains information for its members and the public. Expenses include personnel and administrative expenses related to development and maintenance of the site. In 2003, the redesigned Web site includes enhancements purchased in 2002. In addition to expanding information and services on the Web site, non-dues revenue from advertising and the sale of expanded Attorney and Firm Pages, as well as from the development and maintenance of sub-sites for other bar-related entities is projected in 2003.

Revenue

Attorney Pages	\$7,500	
Web Advertising	6,300	
Web Site Administration and Dev. for Other Entities	4,900	
Products and Services Dir.	3,100	
Display Ads	2,500	
Hot Links	1,300	
Career Center Partnership	300	
Discussion Forums	300	
Contra Tax Account- Gross Receipts	<u>(1,200)</u>	
Total Revenue		25,000

Expenses

Direct Labor	78,300	
Marketing	4,700	
Bar Center Occupancy (See Note 8)	2,000	
Web Technical Support contract	2,300	
Duplication, Supplies, Postage, Printing, Internet, Dues & Sub, and Telephone	400	
Software	300	
Training	400	
Hosting Fee	700	
CD Burner	200	
	<u>89,300</u>	
Allocated G & A	14,144	
Total Expenses		<u>103,444</u>
Total, Net		<u>(\$78,444)</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 7).

1. Bar Journal

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

Revenue

Advertising	\$8,800	
Subscriptions	300	
Contra Tax Account- Gross Receipts	<u>(500)</u>	
Total Revenue		8,600

Expenses

Printing	3,300	
Production Labor and Benefits	9,700	
Postage and Delivery	3,200	
Direct Labor	5,100	
	<u>21,300</u>	
Allocated G & A	14,807	
Total Expenses		<u>36,107</u>
Total, Net		<u>(\$27,507)</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	\$185,000
CLE Calendar	7,000
Subscriptions	6,000
Contra Tax Account- Gross Receipts	<u>(11,100)</u>
Total Revenue	186,900
Expenses	
Printing	86,200
Production Labor and Benefits	83,600
Postage and Delivery	60,200
Direct Labor	<u>20,800</u>
	250,800
Allocated G & A	<u>174,351</u>
Total Expenses	<u>425,151</u>
Total, Net	<u>(\$238,251)</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	\$22,000
Directory Sales	61,200
Contra Tax Account- Gross Receipts	<u>(4,800)</u>
Total Revenue	78,400
Expenses	
Printing	43,900
Direct Labor	10,000
Production Labor and Benefits	10,200
Postage and Delivery	5,200
Contract Labor	<u>1,500</u>
	70,800
Allocated G & A	<u>49,218</u>
Total Expenses	<u>120,018</u>
Total, Net	<u>(\$41,618)</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	
	\$40,000
Expenses	
Production Supplies	11,300
Production Labor and Benefits	14,800
Postage & Delivery	<u>3,900</u>
	30,000
Allocated G & A	<u>20,856</u>
Total Expenses	<u>50,856</u>
Total, Net	<u>(\$10,856)</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.

III. COMMITTEES

In 2003, 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 15.

Expenses	
Committee Pool	\$11,000
Direct Labor	<u>32,400</u>
	43,400
Allocated G & A	<u>21,123</u>
Total Expenses	<u>(\$64,523)</u>

IV. PUBLIC SERVICE: Legal Services, Legal Information and Assistance

A. Committees

For 2003, the State Bar is funding the following committees whose primary purposes are to improve the quality of legal services and to provide 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. **Consumer Protection Committee.** Monitors activities of the Unauthorized Practice of Law Panel and the Fee Arbitration Panel. Supervises the Peer Assistance Program. Monitors and addresses issues of concern between attorneys and members of the public, including the clients of New Mexico attorneys. In furtherance of this mission the Committee and its Panels work closely with the staff of the Consumer-Attorney Assistance Program (CAAP).
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. **Task Force to study the Administration of the Death Penalty in New Mexico.** Studying practices and procedures for death penalty cases, i.e., trial procedures, post-conviction review, proportionality on charging and sentencing and adequacy of representation.

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 designated account. In 2003, State Bar has submitted a request to the Supreme Court to collect a supplemental dues assessment of \$15 per active status attorney to replenish the Client Protection Fund.

Revenue

Restricted \$85,300

Expenses (to be paid from the fund)

Direct Expenses	\$ 85,300
Allocated G & A	<u>13,511</u>
 Total Expenses	 <u>98,811</u>
 Total, Net	 <u>(\$13,511)</u>

C. Attorney Assistance Program (CAAP)

The Consumer Attorney Assistance Program (CAAP), a program managed by Special Projects, is designed to serve members and the public with an all-inclusive intake approach to complaints. CAAP cooperates with and refers complaints to an appropriate program or agency depending on the severity and nature of the problem. Those entities include the Lawyers Assistance Hotline, Client Protection Fund, Disciplinary Board, and the Consumer Protection Committee and its services: Fee Arbitration and Unauthorized Practice of Law. Membership support represents State Bar's financial commitment, as approved by the Board, to Special Projects, Inc. in support of this program.

Expenses

Membership Support	\$95,700
Allocated G & A	<u>15,158</u>
 Total Expenses	 <u>(\$110,858)</u>

D. Lawyers Care Referral Program

The Lawyers Care Referral Program is a program managed by Special Projects, Inc. This program is designed to accept pro bono referrals from the newly merged New Mexico Legal Aid, to provide general referrals for the public, and to conduct legal workshops and clinics 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 and from grants or contracts.

Expenses

Membership Support	\$49,900
Allocated G & A	<u>7,904</u>
 Total Expenses	 <u>(\$57,804)</u>

E. Lawyer Referral for the Elderly Program

The Lawyer Referral for the Elderly Program (LREP) is a Special Projects, Inc. legal services program located on the premises of State Bar. A grant to Special Projects, Inc. 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	\$48,100
Allocated G & A	<u>7,619</u>
 Total Expenses	 <u>(\$55,719)</u>

F. Pro Bono and Referral Director

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

Expenses

Membership Support	\$5,000
Bar Center Occupancy (See Note 8)	2,000
Allocated G & A	<u>1,109</u>
Total Expenses	<u>(\$8,109)</u>

G. Public Service Programs

Public Education Programs secure and coordinate volunteers, provide administrative support, and work with schools across the state on law related education projects such as Mock Trial, Dialogue on Freedom, We the People, and others.

Expenses

Membership Support	\$25,000
Mock Trial	<u>5,000</u>
	30,000
Allocated G & A	<u>4,752</u>
Total Expenses	<u>(\$34,752)</u>

H. 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:

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

Expenses

Direct Expenses	\$3,400
Allocated Direct Labor	<u>2,361</u>
	5,761
Allocated G & A	<u>2,804</u>
Total Expenses	<u>(\$8,565)</u>

V. MEMBERSHIP SERVICES (SEE NOTE 6)

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 2003 Convention will be held in Tucson, Arizona. Annual Convention's direct costs historically represent approximately 80 percent of the gross Convention Revenues. These revenues are self-supporting and therefore, receive no support from membership dues.

Revenue	\$100,000
Expenses	
Direct Expense	\$80,000
Direct Labor	<u>34,000</u>
	114,000
Allocated G & A	<u>55,484</u>
Total Expenses	<u>169,483</u>
Total, Net	<u>(\$69,484)</u>

2. Association/Membership Plans

In 2003, 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	\$7,200
Total, Revenues	<u>\$7,200</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 2003 will be generated from the sale of the report on the 2001 survey results.

Revenue	\$500
Total Revenues	<u>\$500</u>

4. Leadership Resources

An annual conference is held to inform division, section and committee bar leaders about State Bar programs and resources.

Expenses	\$500
Allocated G & A	<u>243</u>
Total Expenses	<u>(\$743)</u>

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

The Bar Center offers use of the rooms listed above as a service to members of the State Bar.

Expenses

Bar Center Occupancy (See Note 8)	\$33,000
Allocated G & A	<u>16,061</u>
Total Expenses	<u>(\$49,061)</u>

6. Lawyers Assistance Hotline

The Lawyer Assistance Hotline provides professional and peer assistance to State Bar members in need of assistance for substance abuse, addictions, and depression. Direct costs are paid for counseling fees.

Expenses	\$10,500
Allocated G & A	<u>5,110</u>
Total Expenses	<u>(\$15,610)</u>

7. Lending Library

A library of publications and other resources is available to assist attorneys with general practice and law office management information.

Revenue	<u>\$300</u>
---------	--------------

8. LEXIS

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

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

9. Membership Forms

Each year, the State Bar mails a Dues and Licensing Form to members for payment of dues, fees, and contributions. In addition, each new member receives a permanent State Bar card.

Expenses

Direct Expenses	\$5,200
Allocated G & A	<u>2,531</u>
Total Expenses	<u>(\$7,731)</u>

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	\$18,000
Contra Tax Account- Gross Receipts	<u>(500)</u>
Total Revenue	<u>17,500</u>

Expenses

Supplies	2,000
Allocated G & A	<u>973</u>
Total Expenses	<u>2,973</u>
Total, Net	<u>\$14,527</u>

11. Commission on Professionalism

Pursuant to the New Mexico Supreme Court Order that created a Commission on Professionalism in 2000, the Commission will continue its administrative and operational functions and responsibilities in 2003. In 2003, the Commission will serve as an advisory commission to oversee and develop programs, resources and services to support professionalism for New Mexico lawyers and judges. The Special Projects, Inc. Center for Legal Education will administer the CLE program developed by the Commission. The Commission will receive \$31 per active attorney who registers for the 2003 professionalism program. Expenses include costs for the Commission's administrative support and travel for outreach programs throughout the state.

Revenue	\$117,800
---------	-----------

Expenses

Direct Expenses	\$ 11,500
Allocated Direct Labor	<u>19,200</u>
	30,700
Allocated G & A	<u>14,942</u>
Total Expenses	<u>45,642</u>
Total, Net	<u>\$ 72,158</u>

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.

Revenue	\$115,500
Expenses	
Bar Center Occupancy (See Note 8)	\$32,500
Direct Labor	32,500
Food and Beverages	16,000
Telephone	800
	<u>81,800</u>
Allocated G & A	<u>39,812</u>
Total Expenses	<u>121,612</u>
Total, Net	<u>(\$6,112)</u>

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 4.0 percent of the credit card charges processed for VISA or MasterCard, 2.8 percent for American Express and 2 percent for Discover. 2003 fees are based on 2001 and 2002 actual fees.

Expenses	
Direct Expenses & Labor	\$18,000
Allocated G & A	<u>8,761</u>
Total Expenses	<u>(\$26,761)</u>

14. Membership Outreach

In 2003, 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	\$600
Allocated G & A	<u>292</u>
Total Expenses	<u>(\$892)</u>

15. Mentorship

The Bill Kitts Mentor Program matches applicants with experienced mentors for a six-month mentorship designed to provide guidance to new practitioners.

Expenses	
Direct Expenses & Labor	\$200
Allocated G & A	<u>97</u>
Total Expenses	<u>(\$297)</u>

B. Committees Providing Services to Members

In 2003, 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 below, and pages 11-12 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 Web site.
2. **Board of Editors.** Serves as the editorial committee for the *Bar Bulletin* and *Bar Journal*.
3. **Committee on Diversity in the Legal Profession.** Promotes outreach, renewed enthusiasm, interest, and involvement in issues and programs relating to diversity in the profession.
4. **Committee on Women and the Legal 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. **Historical Committee.** Acquires and maintains historical information relating to the State Bar and provides articles of historical interest for publication in the *Bar Journal*.
6. **Law Office Management Committee.** Develops and provides resources for attorneys to more effectively manage their law practices. Efforts will include seminars, publications, and other tools and resources that will benefit State Bar members, especially solo and small firm practitioners.
7. **Lawyers Assistance Committee.** Provides education and peer assistance to the State Bar members on substance abuse, addictions, and depression.
8. **Lawyers Professional Liability Committee.** Reviews the endorsed professional liability insurance program, and studies other professional liability and malpractice issues.
9. **Medical-Legal Grievance Committee.** Attempts to resolve specific complaints between the two professions.
10. **Medical-Legal Liaison Committee.** Addresses basic issues of mutual concern to the two professions: e.g., the Medical Malpractice Act.
11. **Membership Services Committee.** Identifies and reviews programs and benefits to assist and serve State Bar members.
12. **Quality of Life Committee.** Studies quality of life issues and implements recommendations of the Quality of Life Task Force.

13. **Task Force on Multidisciplinary Practice (MDP).** Reviews the ABA's recommendations on MDP and other studies in order to develop a recommendation for law practice in New Mexico, including possible rule changes to be presented to the NM Supreme Court.
14. **Technology Utilization Committee.** Assists with the education and promotion of technology in the legal profession.

C. YLD Programs Providing Services to Members

1. **Membership Outreach.** YLD will continue its membership outreach in 2003 by providing information and membership programs such as:

- Bar Exam Support Programs
- Bench/Bar Activities
- CLE
- Membership Communication
- Newsletter
- Networking
- Swearing-in Receptions
- UNM Law Student Programs

Expenses

Direct Expenses	\$7,400
Allocated Direct Labor	<u>5,139</u>
	12,539
Allocated G & A	<u>6,103</u>
 Total Expenses	 <u>(\$18,642)</u>

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

Expenses

Direct Expenses	\$7,200
Allocated Direct Labor	<u>5,000</u>
	12,200
Allocated G & A	<u>5,938</u>
 Total Expenses	 <u>(\$18,138)</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. Programs for 2003 include assisting the State Bar's KOB-TV Call-In Program.

Expenses

Direct Expenses	\$2,000
Allocated Direct Labor	<u>1,200</u>
	3,200

Allocated G & A	<u>1,558</u>
 Total Expenses	 <u>(\$4,758)</u>

E. Sections Administration

The State Bar has 19 Sections relating to practice areas. The Sections are funded with voluntary dues by their members. 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 to process dues payments, maintain records, communicate re: policies and procedures, and to oversee elections.

Revenue	\$41,900
 Expenses	
Section Expenses	41,900
Direct Labor	<u>14,600</u>
	56,500
Allocated G & A	<u>27,498</u>
 Total Expenses	 <u>83,998</u>
 Total, Net	 <u>(\$42,098)</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 2003; 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 2003. In the event that lobbying activities are approved and subsequently reported to the membership in 2003, 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 giving reasonable notice to the section membership and the Board of Bar Commissioners. 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 the 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. 2001 NON-BUDGETED EXPENDITURES

During 2001, the Board of Bar Commissioners approved several non-budgeted expenditures: at the October 5, 2000 meeting, a \$225 expenditure for Ed Chavez to attend the Jury Summit Conference; a National Action Plan on Lawyer Conduct and Professionalism conference for \$1,182 was approved at the November 17, 2000 meeting; at the August 9, 2001 Board meeting, the commissioners approved an expenditure for the Court of Appeals Judicial Reception for \$300. In Addition, the Board agreed to co-sponsor the Judicial Reception with the Albuquerque Bar Association for \$599. These monies have been audited and are a part of the 2001 annual audit of financial statements.

VIII. 2002 NON-BUDGETED EXPENDITURES

Any material 2002 non-budgeted expenditures determined to be germane and approved by the Board of Bar Commissioners will be reported in the 2004 Budget Disclosure Document, at which time any such expenditures will have been audited as part of the 2002 annual audit of financials.

IX. CONTINGENCY-LABOR RELATIONS

On April 4, 2002 the State Bar received an election petition from the Communication Workers of American (CWA) on behalf of unnamed employees of the State Bar. The State Bar notified the CWA on April 12 of the Bar's position based on the 29 U.S.C. sec 152(2) of the National Labor Relations Act (NLRA) that exempts coverage "[a]ny State or political subdivision thereof." Because the State Bar is an agency of the Supreme Court (the Supreme Court created the State Bar. See Rule 24-101 NMRA2002), it was anticipated that the NLRB would not have jurisdiction over the State Bar of New Mexico. On April 15, 2002, the CWA withdrew its petition.

On May 28, 2002 the State Bar was notified that the petition was re-filed, and that a hearing was scheduled for June 6, 2002. On July 2, 2002, the State Bar was notified that the regional director in the Phoenix office of the NLRB had decided to exercise jurisdiction over the State Bar, and the election to determine whether or not a union could be formed was held on July 22, 2002.

On July 12, 2002, the State Bar filed an appeal to the entire NLRB Board. The State Bar's position on appeal was the same position that was asserted during the July 6, 2002, hearing: That the NLRB does not have jurisdiction over the State Bar.

The election was held on July 22, 2002, but because the matter was on appeal, the ballots were impounded, and will not be counted until the NLRB decides if it will accept or reject the bar's appeal. At the time the Budget Disclosure went to press there had been no decision from the NLRB on the appeal.

At the Board of Bar Commissioners meeting on September 13, 2002, the Board accepted the offer by Noeding & Moody, P.C. to provide pro bono legal services for the State Bar's pending labor matters. The State Bar will only incur related out-of-pocket expenses incurred by Noeding & Moody, P.C.

NONCHARGEABLE

The Board of Bar Commissioners has determined that all of the proposed expenditures for 2003 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 7).

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, 2002.

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	\$959,575
Less Amounts Charged Directly to State Bar-Interdepartmental Direct Labor	<u>(738,075)</u>
Amount to General Administration, Administration Office	<u>\$221,500</u>

Note 4. Web site

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

Revenue

Attorney Pages	\$7,500
Web Advertising	6,300
Web Site Administration Fee	4,900
Products & Services Directory	3,100
Display Ads	2,500
Hotlinks	1,300
Discussion Forums	300
Career Center Partnership	<u>300</u>
	26,200
Contra Tax Account-Gross Receipts	<u>(1,200)</u>
Total Revenue	<u>\$25,000</u>

Note 5. Communications

A. Revenue Publications

Bar Bulletin (weekly) and *Bar Journal* (magazine)
As discussed in Note 1, in 2003, membership publications will include a weekly publication, the *Bar Bulletin*, and a semi-annual 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	4.6	\$102,800
Classified Ads	2.2	82,200
<i>Bar Journal Magazine:</i>		
Display Ads	2.0	<u>8,800</u>
Advertising		193,800
Subscriptions:		
<i>Bar Bulletin</i>		6,000
<i>Bar Journal</i>		<u>300</u>
		<u>6,300</u>
		200,100
Less Related Gross		
Receipts Tax (rounded)		<u>(11,600)</u>
Total Revenue		<u>\$188,500</u>

2003 *Bar Bulletin* advertising revenue is projected to decrease from the forecasted 2002 revenue amounts. In 2003 two fewer *Bar Journal* magazines will be produced. The estimated revenues for 2003 reflect a decrease in sales in advertising and subscriptions.

Bench and Bar Directory

Bench and Bar Directory advertising revenue for 2003 is forecast to increase by ten percent from 2002's projected annual revenue. Forecasted directory sales revenue is expected to increase thirty-five percent over 2002 due to the increase in the price and an increase of number of directories printed.

Revenue

Forecasted 2002 Advertising	\$22,000
Forecasted Directory Sales	<u>61,200</u>
2003 Forecasted Bench and Bar Directory	83,200
Less Related Forecasted Gross Receipts Tax	<u>(4,800)</u>
2003 Forecasted Bench and Bar Directory Revenue, Net	<u>\$78,400</u>

Outside Production

For 2003, revenue related to outside production, reduced by direct expenses, generated a profit margin of 30 percent prior to allocation of general and administrative overhead. For purposes of the 2003 budget, outside production revenue has been estimated at the total of related direct expenses (labor and materials), based on increases in labor and material costs. 2003 production costs are budgeted with the assumption that production jobs will increase 35 percent.

2002 Forecasted Revenue:

Historic Revenue at June 30, 2002	\$14,800
Annualized	<u>/.50</u>
Forecasted Revenue at December 31, 2002	\$29,600
Increase of 35 percent	<u>x1.35</u>
 2003 Budgeted increase	 <u>\$40,000</u>

B. Expenses

Expenses of the Communications Division are 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 4 percent 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	281,200
Less:	
<i>Bar Bulletin</i> , Labor Expense	83,600
<i>Bar Journal</i> , Labor Expense	9,700
<i>Bench and Bar Directory</i> , Labor Expense	10,200
Outside Production, Labor Expense	<u>14,800</u>
	<u>(118,300)</u>
	162,900
Amounts Charged Directly from State Bar-Interdepartmental Direct Labor	<u>35,900</u>
Amount to Communications Offices G & A (rounded)	<u>\$127,000</u>

Communications Division G & A is allocated to divisional activities based on a percentage of total production ex-

penses to all projects generated by the division, such as the *Bar Bulletin* and *Bar Journal*. Allocated G & A forecast to be charged to each project in 2003 represents approximately 140 percent of a project's direct labor cost.

Note 6. Membership Administration and Support

A. Revenues**Annual Convention**

Revenue for the 2003 Annual Convention is based on projections from the following sources:

- Registration fees
- Exhibit fees
- Sponsor fees

Tucson, Arizona is the site for the 2003 Annual Convention. Management estimates convention attendance and expenditures to approximate those held in outlying areas in previous years. Registration fees have been budgeted at \$175. The registration fees and optional meals would provide gross convention registration revenue of approximately \$77,000. It is forecast that 2003 exhibit fees will be approximately \$5,500; advertising in the program will provide revenue of \$1,200; sponsor fees for 2003 are forecast at \$15,000; and special events, approximately \$1,300. Therefore, gross convention revenue for 2003 is forecast to be approximately \$100,000.

LEXIS

As management estimated 2003 activity to be equivalent to 2002, the 2003 budgeted revenue is estimated at the projected year-end amount for 2002, 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.

Forecast revenue for 2003 is \$18,000, based on the fact that a membership list policy passed by the Board of Bar Commissioners in 2001 did not adversely affect revenues as projected in 2002.

Commission on Professionalism

The Commission on Professionalism will continue its administrative and operational functions and responsibilities in 2003. The Special Project's, Inc. Center for Legal Education will administer the CLE program developed by the Commission. The Commission will receive \$31 per active attorney who registers for the 2003 professionalism program. The Commission has budgeted for 3,800 approximately 70 percent of the membership to register for the 2003 program based on 2002 activity.

Revenue \$117,800

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 2002 these classrooms were rented by CLE of Special Projects, Inc and numerous third-party entities, including an annual contract with the University of New Mexico (UNM) for 2002. Management believes that UNM will renew the contract and anticipates an increase in the use of the Bar Center in 2003 projecting a revenue increase of 5 percent. "Food and beverage" itemized below includes direct costs for food and beverages, page 15, labor expenses to order stock and set up food and beverages for third-party entities. Rental fees will increase in 2003 as follows: \$10 per day increase to for-profit third-party entities; \$10 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	53,500
Food and Beverage Sales	33,000
Equipment Rental	12,000
Contra Tax Account- Gross Receipts	<u>(3,000)</u>
	<u>\$115,500</u>

Sections

State Bar offers the opportunity for attorneys to become actively involved in programs that explore substantive issues to specific practice areas. Members may join Sections specifically devoted to these issues. Separate accounts are maintained for the operations of each Section. All 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 2003 Section membership revenue is based on the 2002 activity.

Projected 12/31/03	
Section Membership	3,217
Average Fee per Section (rounded)	<u>\$13.04</u>
Projected 2002 Section Membership Revenue (rounded)	<u>\$41,900</u>

B. Expenses

Membership services expenses for 2003 were forecasted based on the following assumptions:

Membership

Expenses will remain consistent with 2002 for the Lawyers Assistance Hotline, membership forms, and membership list.

Commission on Professionalism

Expenses for the Commission in 2003 will include travel

expenses for Commission members and staff. The cost for two State Bar representatives to attend a National conference on professionalism and for travel involved in outreach related to professionalism throughout the state are included.

Office and General	\$4,000
Travel	7,500
Direct Labor	<u>19,200</u>
	<u>30,700</u>

Total Expenses	<u>\$30,700</u>
----------------	-----------------

Professional Development Center

Expenses of the Bar Center consist of 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 8).

Committees, Divisions and Sections

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 October 24, 2002. The total Committees budget does not exceed the gross budget approved by the Board at the September 13, 2002 meeting. Sections direct expenses have been projected to equal forecasted revenues.

Note 7. Second Order

On January 25, 1994, Judge Burciaga, in *Popejoy v. New Mexico Board of Bar Commissioners*, entered a second order ("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. (page 15)(page 15)Thus,(page 15), 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 8. 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. Payment of this debt is anticipated to be liquidated through the sale of building interest to Special Projects, building space rental receipts, and the collection of \$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. 1997, the Lawyers Care Referral Program was transferred from State Bar to Special Projects, Inc. For the purposes of identification and designation of the Bar Center floor space for 2003, Special Projects activities include CLE, Lawyers Care Referral, CAAP, and LREP, as well as rental of the auditorium. This program allocation is consistent with 2002 allocations.

During 1998, 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. State Bar has fiscal responsibility for 15,238 square feet of that office space based on projected 2003 ownership percentages.

During December 2002, State Bar is scheduled to close

on the refinance of its Bar Center. The new mortgage loan will provide for a 7-year amortization at a fixed rate of six and one-half percent. The Bar Center mortgage is presently amortized over a 15 year period, at eight and one-quarter percent interest.

Based on the projected building ownership percentages for 2003, the State Bar will be responsible for approximately 63 percent of building utilities, maintenance and personnel.

With the refinance, principal and interest due the bank in 2003 are estimated to be approximately \$129,500 and \$66,200 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	\$66,200
Utilities	27,200
Janitorial and Supplies	19,700
Repairs and Maintenance	8,500
Real Estate Taxes	8,400
Direct Labor	3,400
Landscape Maintenance	2,200
Property Insurance	2,400
Total State Bar Building	<u>138,000</u>
Occupancy Cost	\$138,000

Less Departmental Occupancy Allocations:

	Sq. Ft.	
Professional Development Center	3,587	\$(32,500)
Conf. Rooms, Visiting Atty. Offices	3,646	(33,000)
Administration	3,206	(29,000)
Communications/Print Shop	2,874	(26,100)
Membership Admin. & Support Div.	438	(3,900)
Web site	220	(2,000)
Pro Bono Referral	220	(2,000)
	<u>14,191</u>	<u>(128,500)</u>

Expense Reimbursement:

Court Regulated Programs	<u>1,047</u>	<u>(9,500)</u>
--------------------------	--------------	----------------

Total, Net	<u>15,238</u>	<u>\$0</u>
------------	---------------	------------

