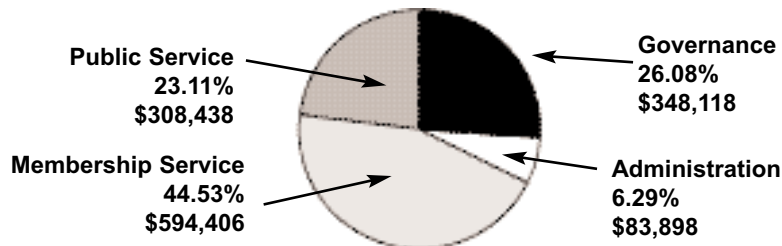


2004 STATE BAR OF NEW MEXICO BUDGET DISCLOSURE

Special
Insert

Dear Members:

The Board of Bar Commissioners has approved the following budget for calendar year 2004. 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 expenditures by categories, while the remaining pages provide explanations and further breakouts of the expenditures by category. The total expenditures for the State Bar in 2004 will be approximately \$1,966,860. Of this amount, \$632,000 is expected to be supported by non-dues revenue and approximately \$1,334,860 will be funded by dues. The following pie chart illustrates the total dues supported budget broken into four main categories.



There were several non-budgeted items for 2002, which are outlined in this budget disclosure. In the later part of 2003, the State Bar went through a significant reorganization, resulting in substantial expected cost savings that permits a balanced budget for 2004 without a dues increase. In addition, there will be no assessment for the Client Protection Fund in 2004. State Bar will support this program through general operating funds.

The financial condition of the State Bar is improving 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,

Virginia R. Dugan
Secretary-Treasurer

YOUR DUES FOR 2004

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 2004 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 2004 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, phone 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, PO Box 92860 (87199) on or before 30 days from the date hereof. Thus, the challenge must be postmarked on or before December 22, 2003; delivered in person; or sent by fax to the State Bar's office before 5:00 p.m. on December 23, 2003. The State Bar's fax number is (505) 797-6019. A form for which challenges may be used 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 Supreme Court of New Mexico to hear challenges to the 2004 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 797-6035 or by writing the State Bar office at 5121 Masthead NE, PO Box 92860 (87199), Albuquerque, NM 87109.

Audit Letter

State Bar of New Mexico
Budgeted Statement of Chargeable and Nonchargeable Expenses/Expenditures by Functional Category
Year Ending December 31, 2004

	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 AND ORGANIZATION					
A. Board of Bar Commissioners (page 7)	95,440	15,656	—	111,096	8.32%
B. Capital Outlay (page 7)	175,750	28,831	—	204,581	15.34%
C. Litigation					
1. General Litigation (page 7)	100	16	—	116	0.01%
2. <i>Popejoy/Keller</i> Challenge Procedure (page 8)	27,770	4,555	—	32,325	2.42%
II. STATE BAR ORGANIZATION					
A. Administration Department					
1. Administration (page 8)	277,180	(277,180)	—	—	—
2. Accounting (page 9)					
a. Credit Card Fees (page 9)	31,000	5,085	—	36,085	2.70%
b. Dues & Licensing Form (page 9)	5,200	853	—	6,053	0.45%
3. Human Resources (page 10)	1,540	253	—	1,793	0.13%
4. Print Shop Production (page 10)	79,450	(79,450)	—	—	—
a. Outside Production (page 10)	33,530	22,032	32,700	22,862	1.71%
5. State Bar Center (page 10)					
a. Professional Development Center (Classrooms) (page 10)	90,580	14,859	117,500	(12,061)	(0.90%)
b. Conference Rooms, Visiting Attorneys' Offices, Computer Resource Room (page 10)	36,500	5,988	—	42,488	3.18%
6. Systems (page 10)					
a. Membership Lists (page 10)	2,000	328	15,650	(13,322)	(1.00%)
B. Member and Public Resources Department					
1. Administration (page 11)	168,810	(168,810)	—	—	—
2. Committees (page 11)	34,480	15,208	—	49,688	3.72%
3. Divisions (page 12)					
a. Paralegal Division (page 12)	—	—	—	—	—
b. Senior Lawyers Division (page 12)	5,330	2,352	—	7,682	0.58%
c. Young Lawyers Division (page 13)	17,530	7,732	—	25,262	1.89%
4. Membership Services Programs (page 13)					
a. Annual Convention (page 13)	103,130	45,489	80,000	68,619	5.14%
b. Association/Membership Plans (page 13)	—	—	11,000	(11,000)	(0.82%)
c. Commission on Professionalism (page 13)	23,200	10,234	—	33,434	2.50%
d. Judicial Receptions (page 13)	500	221	—	721	0.05%
e. Lawyers Assistance Hotline (page 13)	10,500	4,631	—	15,131	1.13%
f. Leadership Resources (page 14)	1,200	530	—	1,730	0.13%

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, 2004

	Expenses/ Expenditures & Deferrals Net of Depreciation Before Allocations	Allocation of Admin Overhead	Non-Dues Funded	Net Funded by Dues	Percentage of Dues Funded
g. Lending Library (page 14)	1,000	441	—	1,441	0.11%
h. LEXIS (page 14)	—	0	7,500	(7,500)	(0.56%)
i. Membership Outreach (page 14)	1,650	728	—	2,378	0.18%
j. Membership Survey (page 14)	7,500	3,308	—	10,808	0.81%
k. Mentorship (page 14)	200	89	—	289	0.02%
l. Risk Management Hotline (page 14)	5,000	2,205	—	7,205	0.54%
m. Westlaw (page 14)	—	—	3,000	(3,000)	(0.22%)
5. Publications (page 14)					
a. <i>Bar Bulletin</i> (page 14)	283,450	186,252	215,690	254,012	19.04%
b. <i>Bench and Bar Directory</i> (page 15)	65,860	43,276	90,420	18,716	1.40%
c. Pamphlets (page 15)	2,000	882	900	1,982	0.15%
6. Sections (page 15)	67,910	29,955	45,500	52,365	3.92%
7. World Wide Web Site (page 15)	45,310	29,773	10,640	64,443	4.83%
C. Referral and Public Services Department					
1. Administration (page 16)	40,350	(40,350)	—	—	—
2. Client Attorney Assistance Program (page 16)	86,800	32,285	—	119,085	8.92%
3. Client Protection Fund (page 16)	50,280	18,702	—	68,982	5.17%
4. Lawyers Care Referral Program (page 16)	43,100	16,031	—	59,131	4.43%
5. Lawyer Referral for the Elderly Program (page 16)	28,100	10,452	—	38,552	2.89%
6. Other Public Service Initiatives (page 17)	2,550	948	1,500	1,998	0.15%
7. Public Service Programs (page 17)					
a. Mock Trial (page 17)	5,000	1,860	—	6,860	0.51%
b. We the People (page 17)	5,000	1,860	—	6,860	0.51%
c. Dialogue on Freedom (page 17)	1,000	372	—	1,372	0.10%
8. Young Lawyers Division Public Service Programs (page 17)	4,080	1,518	—	5,598	0.42%
III. LEGISLATIVE ACTIVITY					
A. Lobbying Approved by the Board of Bar Commissioners (page 17)	1,966,860	0	632,000	1,334,860	100.00%
B. Sections' Lobbying Activities (page 17)	—	—	—	—	—
IV. 2002 NON-BUDGETED EXPENDITURES (page 17)	69,650	—	—	\$69,650	—
V. 2003 NON-BUDGETED EXPENDITURES (page 18)	—	—	—	—	—
VI. CONTINGENCY (page 18)	—	—	—	—	—
NONCHARGABLE (page 18)	—	—	—	—	—

2004 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, 2004

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* and *Bench and Bar Directory*; and development and promotion of programs such as annual convention, 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 14, 2003, 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. 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 2004 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). In 2003, the New Mexico State Bar Foundation was dissolved as a corporation and State Bar of New Mexico Special Projects was renamed as the New Mexico State Bar Foundation (Bar Foundation). The two corporations, State Bar and State Bar Foundation, 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 (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 with the Bar Foundation, 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 9).

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, Commissions, 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 2004, 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.

DID YOU KNOW?



The Board of Bar Commissioners represents 8.32% of the State Bar total budget, or \$111,096 of \$1,334,860.

There are 21 voting members on the Board of Bar Commissioners (BBC). They are elected from seven districts throughout the state and serve three year terms. Members cannot serve more than three consecutive terms. The BBC is a diverse group of practitioners, representing all areas of law in New Mexico. In 2003, BBC membership consists of 2 solo practitioners, 5 large firm (15+) practitioners, 10 medium firm (under 15) practitioners and 4 government and public lawyers. These members represent both rural and urban areas of the state and represent both the plaintiff and defense bars.

The expenses for Board meetings are based on the assumption that during 2004, five Board meetings will be held in Albuquerque, including one in connection with the Annual Convention, and two will be held out of Albuquerque in connection with the Bench & Bar Conference and a Long Range Planning Retreat. Board Committees also conduct business by teleconference throughout the year. In-state travel expenses for the President will cover attendance of certain Board Committee meetings and other State Bar business.

The 2004 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 (San Antonio) and Annual (Atlanta) meetings; the President and President-Elect will attend the Western States Bar Conference (Scottsdale); 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 meeting in 2004. 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 ..	\$46,500
Meetings	24,400
Travel	13,540
Teleconferences	5,000
Long Range Planning	5,000
Miscellaneous	500
Administrative Support	
for President	500
	<u>95,440</u>
Allocated G & A	15,656
Total Board Expenses	<u>(\$111,096)</u>

B. Capital Outlay

During 2004, 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	\$137,100
Capital Lease Principal Payments:	
Copier	20,640
Systems Printer	8,010
Furniture and Fixtures	5,000
Office Upgrades	5,000
	<u>175,750</u>
Allocated G & A	28,831
Total Capital Outlay	<u>(\$204,581)</u>

C. Litigation

1. General Litigation

State Bar is currently involved in a lawsuit, but does not

anticipate any litigation expenses in 2004 beyond what is covered under the State Bar's insurance policy. 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>

2. 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)	\$10,530
Accounting/Budget Audit	13,440
Printing	2,800
Arbitrator Fees	1,000
	<u>27,770</u>
Allocated G & A	4,555
Total Expenses	<u>(\$32,325)</u>

II. STATE BAR ORGANIZATION

A. Administration Department

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 2004 allocations of direct labor costs are based primarily on estimates made as a result of staff reduction in the last quarter of 2003. Allocations were calculated based on 2003 time studies and management's best estimate of expected time per program under the new State Bar structure. 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 Department 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 2004 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, Paralegal Division, and the Disciplinary Board. Additionally, Foundation programs (Center for Legal Education, Lawyers Care Referral, Client 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 five cents a page) charged to non-State Bar entities for use of State Bar's copy machines.

1. Administration

Administration consists of the executive office, accounting, human resources, the print shop, State Bar Center and systems. Expenses for the Administration Division are outlined as follows.

The Administration Department 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 3 for the allocation of other G & A expenses):

Revenue

Administrative Fees:	
Dues Late Fees	\$46,000
Center for Legal Education	28,770
Disciplinary Board	12,760
Duplication	9,000
Lawyer Referral	
for the Elderly	5,540
MCLE	4,210
Defense Lawyers Association	4,100
Dues Collection Fee	3,000
Interest	2,800
Lawyers Care	2,420
Client Attorney	
Assistance Program	1,700
Legal Specialization	920
Paralegal Division	780
Legal Advertising	750
Miscellaneous	500
NSF Fees	300
Bar Foundation – General	190
Total G & A Revenue	<u>123,740</u>

Expenses

Salaries, Taxes and Benefits,	
Net (see Note 2)	222,770
Equipment Maintenance	37,900
Bar Center Occupancy	
(See Note 9)	30,000
Audit	22,720
Insurance	21,160
Duplication, Supplies	
and Postage	19,550
Training and Education	12,050
Advertising	8,190

Printing and Telephone	5,600
Pension Administration. . . .	5,500
Bank Fees.	4,500
Interest on Capital Leases . . .	2,600
Taxes, Fees and Filings. . . .	2,230
Dues and Subscriptions	2,130
Miscellaneous.	1,200
Internet.	1,020
Staff Retreat	1,000
Staff Morale	500
Errands	300
Total Administration Expenses	(400,920)
Net Administrative Expenses.	(277,180)
Less Allocated G & A	277,180
	<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 maintenance
- Equipment management
- Errands/deliveries
- File maintenance
- General research
- Inventory management
- Interdepartmental forms, supplies and projects
- Interdepartmental projects and production
- Leaves/holidays (paid time off)
- Mail pickup, preparation and delivery
- Maintenance of press and production equipment
- 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
- Ordering production materials and supplies
- Overall programs and policy planning management
- Production cost outs (billing and charges related to production labor and materials)
- Professional memberships, meetings and education
- Receipt of checks

- Review and approval of revenue, expenses (accounts payable)
- Software training for staff
- Staff meetings
- Systems management

2. Accounting

Accounting functions are performed for State Bar, as well as other law-related entities, such as the MCLE and the Disciplinary Board. State Bar is reimbursed by these entities to prepare monthly financial statements, conduct annual audit and collect dues.

DID YOU KNOW?

The State Bar's accounting department does much more than make sure the Bar's financial house is in order. . .

Accounting collects members' dues assessment for the Disciplinary Board. This fee is NOT A STATE BAR FEE. The Bar manages the DBoard's finances, but discipline is a separate function. In 2004, the DBoard was granted an assessment increase of \$30 per member, so while your overall dues and licensing fees will increase in 2004, there is NO STATE BAR DUES INCREASE. Members will continue to pay \$215 for State Bar dues and will pay \$130 to the Disciplinary Board.

Accounting also collects local and voluntary bar dues, as well as dues for section membership.

Accounting manages the finances for Court Regulated Programs, including MCLE, Legal Specialization and Legal Advertising

a. Credit Card Fees

In order to enable its members to pay State Bar fees and registrations with credit cards, State Bar must incur a merchant fee of approximately 4.0 percent of the credit card charges processed for VISA, MasterCard, American Express and Discover. 2004 fees are based on 2002 and 2003 actual fees.

Expenses

Credit Card Fees	\$31,000
Allocated G & A	5,085
Total Expenses	<u>(\$36,085)</u>

b. Dues and Licensing Form

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

Expenses

Dues and Licensing Form . .	\$5,200
Allocated G & A	853
Total Expenses	<u>(\$6,053)</u>

3. Human Resources

Human resources functions include personnel hiring, monitoring employee benefits, payroll production and staff trainings.

Expenses

Staff Trainings	\$1,000
Dues and Subscriptions	360
Meetings	180
	<u>1,540</u>
Allocated G & A	253
Total Expenses	<u>(\$1,793)</u>

4. Print Shop Production

The State Bar has an in-house print shop that prints and mails the weekly *Bar Bulletin*, letterhead, brochures and a variety of publications for other law-related entities.

Expenses

Salaries, Taxes and Benefits, Net (See Note 7)	\$48,870
Bar Center Occupancy	16,800
Equipment Maintenance	10,000
Training and Education.	2,180
Postage	700
Supplies.	500
Duplicating	400
	<u>79,450</u>
Less Allocated G & A	<u>(79,450)</u>
	<u>\$0</u>

a. Outside Production

Outside production includes design/page composition, editing, printing and mailing services provided to law-related entities, court-regulated programs, Disciplinary Board, and the Bar Foundation. These projects include producing newsletters for sections and local/voluntary bars, CLE brochures, letterhead and other printed materials.

Revenue \$32,700

Expenses

Production Labor/Benefits	14,200
Production Supplies	10,800
Overhead	8,530
	<u>33,530</u>
Allocated G & A.	<u>22,032</u>
Total Expenses	<u>55,562</u>
Total, Net	<u>(\$22,862)</u>

5. State Bar Center

a. Professional Development Center

The Bar Center's Professional Development Center (consisting of three classrooms) is available for outside groups, including government entities, Supreme Court committees and continuing legal education providers to rent to conduct courses and seminars.

Revenue \$117,500

Expenses

Salaries, Taxes and Benefits (See Note 2)	35,700
Bar Center Occupancy (See Note 9)	37,700

Food and Beverages	16,000
Telephone	800
Training & Education	380
	<u>90,580</u>
Allocated G & A	<u>14,859</u>
Total Expenses	<u>105,439</u>
Total, Net	<u>\$12,061</u>

b. 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. They are also available to rent for interested parties.

Expenses

Bar Center Occupancy (See Note 9)	\$36,500
Allocated G & A	5,988
Total Expenses	<u>(\$42,488)</u>

DID YOU KNOW?

The State Bar Center provides a valuable member service that is used by many New Mexico practitioners. The three visiting attorneys' offices may be used free of charge by any licensed New Mexico attorney while in Albuquerque as a temporary office or meeting place. The Bar Center also offers low-cost meeting space, conference rooms and an auditorium in which seminars, depositions, mediations, etc. may be conducted.

Constructed in 1996 at a cost of \$3.2 million, the Bar Center was partially (37.5 percent) funded with \$1.2 million in donations from members. The balance of the cost of the building is secured by a mortgage, and paid in monthly increments of \$16,300. Annual debt service is \$195,600 and taxes, insurance, utilities and maintenance costs add approximately \$94,000 per year to the overall cost of the building.

All members are encouraged to visit the Bar Center — it is your space. Drop in anytime.

6. Systems

Systems maintains the State Bar membership database.

a. Membership Lists

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 regarding the membership list is available upon request.

Revenue

Sales	\$16,000
Contra Tax Account Gross Receipts	<u>(350)</u>
Total Revenue	15,650

Expenses

Supplies	2,000
Allocated G & A	<u>328</u>
Total Expenses	2,328
Total, Net	<u>\$13,322</u>

B. Member and Public Resources Department

The Member and Public Resources Department is a newly created department within the State Bar. It consolidates the writing, design and editing functions of the communications division and the sections, committees, divisions and membership functions of the membership administrative and support division into one cohesive department whose mission is to serve members and the public. The department consists of personnel responsible for publications and communication services to the membership and the public, including the *Bar Bulletin*, the *Bench and Bar Directory*, pamphlets and the State Bar Web site. In addition, the Department supports membership activities, Committees, Sections, the Young Lawyers Division and the Senior Lawyers Division.

General public education/information activities supported by the Member and Public Resources Department 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.

1. Administration

The G & A activity for the Member and Public Resources Department has been allocated on a pro rata basis to the aforementioned. The resulting total (direct expense and allocated Member and Public Resources 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 3 for the allocation of other G & A expenses):

Expenses:

Salaries, Taxes and Benefits, Net (see Note 7).	\$130,460
Bar Center Occupancy (See Note 9)	18,800
Insurance	5,400
Training and Education.	5,090
Telephone.	3,000
Duplication, Telephone and Postage	2,100
Internet.	1,020

Marketing	1,000
Bad Debt Expense	1,000
Dues and Subscriptions	540
Miscellaneous	<u>400</u>
Total Expenses	168,810
Less Allocated G & A	<u>(168,810)</u>

\$0

Activities charged to Member and Public Resources G & A include:

- Communications with other state and local bars regarding publications and communication services
- Departmental clerical/mail
- Division management
- General clerical
- Interdepartmental projects
- Leaves/holidays (paid time off)
- Liaison to statewide local and voluntary bars
- Personnel management
- Professional memberships, meetings, training and education
- Research
- Staff meetings
- State Bar historical library (records, photographs, videos, etc.)

2. Committees

For 2004, the State Bar is funding the following committees whose primary purposes are to improve the quality of membership services and to provide information and assistance to the public. Each committee is required to submit an annual budget, which is funded through a committee pool. The specific functions of these committees are shown as follows:

- a. **Alternative Methods of Dispute Resolution Committee (ADR).** Provides education and training concerning various methods of resolving disputes outside of litigation.
- b. **Bench and Bar Relations Committee.** Plans the statewide bench and bar conference and encourages development of local conferences.
- c. **Board of Editors.** Serves as the editorial committee for the *Bar Bulletin* and special publications.
- d. **Committee on Diversity in the Legal Profession.** Promotes outreach, interest and involvement in issues and programs relating to diversity in the profession.
- e. **Client Relations 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 Client-Attorney Assistance Program (CAAP).

- f. **Committee on Women and the Legal Profession.** Promotes the participation of and opportunities for women and the legal profession. Acts to improve interaction between the legal and judicial systems and other women participants.
- g. **Committee for the Delivery of Legal Services to People with Disabilities.** Provides information and assistance to ensure access to counsel for persons with disabilities.
- h. **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.
- i. **Ethics Advisory 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.
- j. **Historical Committee.** Acquires and maintains historical information relating to the State Bar and provides articles of historical interest for publication in the *Bar Bulletin* and on the State Bar Web site.
- k. **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.
- l. **Lawyers Assistance Committee.** Provides education and peer assistance to the State Bar members on substance abuse, addictions, and depression.
- m. **Lawyers Professional Liability Committee.** Reviews and studies professional liability insurance and malpractice issues.
- n. **Legal Services and Programs Committee.** Serves as a liaison between State Bar and other legal services providers and funders, and works to ensure access to the legal system.
- o. **Medical-Legal Grievance Committee.** Attempts to resolve specific complaints between the two professions.
- p. **Medical-Legal Liaison Committee.** Addresses basic issues of mutual concern to the two professions: e.g., the Medical Malpractice Act.
- q. **Membership Services Advisory Committee.** Identifies and reviews programs and benefits to assist and serve State Bar members.
- r. **NM Medical Review Commission.** Screens medical malpractice claims.
- s. **Public Legal Education Committee.** 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.
- t. **Quality of Life Committee.** Studies quality of life issues and implements recommendations of the Quality of Life Task Force.

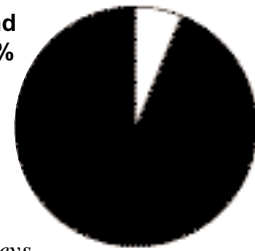
- u. **Task Force to Study the Administration of the Death Penalty in New Mexico.** Studies practices and procedures for death penalty cases, i.e., trial procedures, post-conviction review, proportionality on charging and sentencing and adequacy of representation.
- v. **Technology Utilization Committee.** Assists with the education and promotion of technology in the legal profession.

Expenses

Direct Labor	\$19,480
Committee Pool	15,000
	34,480
Allocated G & A	15,208
Total Expenses	<u>(\$49,688)</u>

DID YOU KNOW?

State Bar Committees and Divisions represent 6.19% of the State Bar's total budget, or \$82,632 of \$1,334,860.



Volunteers drive State Bar committees, divisions and sections. Individual attorneys from all walks of life come together to give back to the profession.

For example, the Ethics Advisory Committee, capably chaired by Peter Pierotti, faithfully meets one Saturday each month to consider questions submitted by members.

The commitment and dedication of the Paralegals Division, formerly the Legal Assistants Division, is noteworthy. The Division is very active and involved in the State Bar, yet receives no State Bar funding.

3. Divisions

a. Paralegal Division

The Paralegal Division was created as a division of the State Bar, although no funds are expended in support of the Division. The Paralegal Division is self-supporting through member dues and programming.

b. 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 2004 include assisting the State Bar's KOB-TV Call-In Program.

Expenses

Direct Expenses	\$4,200
Allocated Direct Labor	1,130
	5,330
Allocated G & A	2,352
Total Expenses	<u>(\$7,682)</u>

c. YLD Programs Providing Services to Members

i. Conduct Membership Outreach. YLD will continue its membership outreach in 2004 by providing information and membership programs such as:

- Bar Exam Support Programs
- Bench/Bar Activities
- Career Fair
- CLE
- Law School Activities
- Membership Communication
- Plaques
- Publications
- Networking
- Swearing-in Receptions
- UNM Law Student Programs

Expenses

Direct Expenses	\$7,770
Allocated Direct Labor	<u>1,110</u>
	8,880
Allocated G & A	<u>3,917</u>
Total Expenses	<u>(\$12,797)</u>

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

Expenses

Direct Expenses	\$7,560
Allocated Direct Labor	<u>1,090</u>
	8,650
Allocated G & A	<u>3,815</u>
Total Expenses	<u>(\$12,465)</u>

4. Membership Services (see Note 6)

a. 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 2004 Convention will be held in Albuquerque. Annual Convention's direct costs historically represent approximately 75-80 percent of the gross convention revenues. Convention revenues are forecasted to fund all direct costs associated with the event.

Revenue \$80,000

Expenses

Direct Expense	60,000
Direct Labor	<u>43,130</u>
	103,130
Allocated G & A	<u>45,489</u>
Total Expenses	<u>148,619</u>
Total, Net	<u>(\$68,619)</u>

b. Association/Membership Plans

In 2004, State Bar will continue membership agreements to further the array of services and benefits available to members. These programs include services and benefits such as a long distance telephone discounts, disability insurance, a retirement plan, MBNA Visa Card, office supplies and a delivery service.

Revenue. \$11,000

c. 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 2004. In 2004, 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 Bar Foundation (formerly, Special Projects, Inc.) Center for Legal Education will administer the CLE program developed by the Commission. The Commission will receive support in 2004 from the State Bar general operating funds. Expenses include costs for the Commission's administrative support and travel for outreach programs throughout the state.

Expenses

Commission Expenses	\$17,870
Allocated Direct Labor	<u>5,330</u>
	23,200
Allocated G & A	<u>10,234</u>
Total Expenses	<u>(\$33,434)</u>

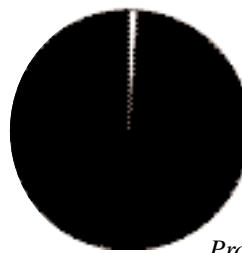
d. Judicial Receptions

The Board receives requests of monetary support from the Albuquerque Bar and other groups to sponsor/co-sponsor judicial receptions with the Albuquerque Bar Association.

Expenses

Receptions.	\$500
Allocated G & A	<u>221</u>
Total Expenses.	<u>(\$721)</u>

DID YOU KNOW?



The Lawyers Assistance Committee uses 1.13% of the State Bar's total budget, or \$15,131 of \$1,334,860.

The Lawyers' Assistance Program is a statewide network of recovering lawyers and a substance abuse professional dedicated to helping others within the profession get the assistance and support they need.

Lawyers Assistance is there to help, 24 hours a day, for you or an attorney you know.

The Lawyers Assistance Program is free and confidential. In Albuquerque, contact (505) 228-1948. Elsewhere in New Mexico, contact (800) 860-4914.

e. 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>4,631</u>
Total Expenses	<u>(\$15,131)</u>

f. Leadership Resources

The Member and Public Resources Department makes available to section, committee and division leaders resources on topics they request to assist in their bar leadership duties.

Expenses	\$1,200
Allocated G & A	<u>530</u>
Total Expenses	<u>(\$1,730)</u>

g. Lending Library

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

Expenses	\$1,000
Allocated G & A	<u>441</u>
Total Expenses	<u>(\$1,441)</u>

h. LEXIS

LEXIS revenue presents the estimated annual commitment for 2004, which is 50 percent over 2003.

Revenue	<u>\$7,500</u>
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i. Membership Outreach

In 2004, State Bar will continue its outreach and communication efforts to the membership and to promote collaboration and support to voluntary bars.

Expenses	\$1,650
Allocated G & A	<u>728</u>
Total Expenses	<u>(\$2,378)</u>

j. Membership Survey

In 2004, State Bar will commission a scientific, statistically valid membership survey to determine the future course of State Bar programs and initiatives.

Expenses	\$7,500
Allocated G & A	<u>3,308</u>
Total Expenses	<u>(\$10,808)</u>

k. Mentorship

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

Expenses	\$200
Allocated G & A	<u>89</u>
Total Expenses	<u>(\$289)</u>

l. Risk Management Hotline

The Risk Management Hotline provides free and confidential consultations regarding professional liability issues, ethical dilemmas and law office management.

Expenses	\$5,000
Allocated G & A	<u>2,205</u>
Total Expenses	<u>(\$7,205)</u>

m. Westlaw


State Bar contracts with West Group for discount services for its members. West Group services are billed through individual credit cards. The administrative services charged by State Bar are a minimum of 10 percent of the billing total with a maximum of \$50 per month.

Revenue	<u>\$3,000</u>
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5. Publications

The Member and Public Resources Department and the Print Shop produce 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).

DID YOU KNOW?



The Bar Bulletin uses 19.03% of the State Bar Budget, or \$254,012 of \$1,334,860. The annual Bench and Bar Directory uses 1.40% or \$18,716.

All active members receive the weekly Bar Bulletin, which contains advance opinions from the Supreme Court and Court of Appeals. The Bulletin also publishes information about the State Bar and other law-related organizations, such as local and voluntary bars. Attorneys rely on this valuable publication each week. Members also receive the annual Bench & Bar Directory, the legal phone book for New Mexico practitioners!

a. 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	\$219,000
Subscriptions	10,000
Contra Tax Account-	
Gross Receipts	<u>(13,310)</u>
Total Revenue	215,690

Expenses	
Printing	154,270
Production Labor	
and Benefits	78,980
Postage and Delivery	76,750

Direct Labor	34,560
Overhead	(61,110)
	283,450
Allocated G & A	186,252
Total Expenses	469,702
Total, Net	<u>(\$254,012)</u>

b. 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	\$26,000
Directory Sales	70,000
Contra Tax Account- Gross Receipts	(5,580)
Total Revenue	90,420

Expenses

Printing	47,350
Production Labor and Benefits	8,680
Postage and Delivery	8,680
Direct Labor	1,150
	65,860
Allocated G & A	43,276
Total Expenses	109,136
Total, Net	<u>(\$18,716)</u>

c. Pamphlets

The Member and Public Resources Department, in conjunction with the Public Legal Education Committee is revising State Bar's consumer pamphlet series for 2004. The series includes informational brochures on legal topics of interest, such as bankruptcy, divorce, buying a house, etc. The pamphlets are made available to members, the public and other law-related organizations at cost.

Revenue	\$900
Expenses	2,000
Allocated G & A	882
Total Expenses	2,882
Total, Net	<u>(\$1,982)</u>

6. 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	\$45,500
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Expenses

Section Expenses	45,500
Direct Labor	22,410
	67,910
Allocated G & A	29,955
Total Expenses	97,865
Total, Net	<u>(\$52,365)</u>

7. 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 addition to expanding information and services provided by the Web site, non-dues revenue generated by the Web site are expected to decrease due to decreased Web site advertising and the sale of expanded attorney and firm Web site pages, as well as from the development and maintenance of sub-sites for other bar-related entities is projected in 2004.

Revenue

Attorney Pages	\$7,000
Web Site Administration and Dev. for Other Entities	4,000
Career Center Partnership	300
Contra Tax Account- Gross Receipts	(660)
Total Revenue	10,640

Expenses

Direct Labor	28,510
Web Technical Contract	10,500
Web Page Hosting Fee	4,800
Marketing	1,500
	45,310
Allocated G & A	29,773
Total Expenses	75,083
Total, Net	<u>(\$64,443)</u>

DID YOU KNOW?

The State Bar's World Wide Web Site contains more information and resources than any member will ever conquer! It is the place to go for membership information, such as address changes and the current directory of members. It is the place to go for CLE course listings and registration. Bookmark www.nmbar.org and visit the Bar's Web site first when searching for law-related information and resources. If you can't find what you're looking for, e-mail us and we'll point you in the right direction. webmaster@nmbar.org

C. Referral and Public Services

Department

The Referral and Public Services Department manages the public service and referral programs available through the State Bar. These programs include: the Client Protection Fund, Lawyer Referral for the Elderly Program (LREP), Lawyers Care, Client Attorney Assistance Program, Public Service Programs, YLD Public Service Programs, Other Public Service Initiatives and Administration. Membership support represents State Bar's financial commitment, as approved by the Board, for the purpose of managing the programs identified herein. Additional support for LREP and Lawyers Care is provided by grant money.

DID YOU KNOW?



The numerous public service programs and activities of the State Bar comprise 23.11% of the total State Bar budget, or \$308,438 of \$1,344,860.

In addition to State Bar support, the Referral and Public Service Department receives grant money to support Lawyers Care and the Lawyer Referral for the Elderly Program.

1. Administration

The Referral and Public Services Department director manages the aforementioned programs and volunteers. Membership support represents State Bar's financial commitment, as approved by the Board, to the New Mexico State Bar Foundation, for the purpose of managing the programs identified herein.

Expenses

Direct Labor	\$36,690
Bar Center Occupancy (See note 9)	2,200
Duplicating, Postage and Supplies	1,000
Training and Education	460
	<u>40,350</u>
Allocated G & A	(40,350)
Total Expenses	<u>\$0</u>

2. Client Attorney Assistance Program (CAAP)

The Client Attorney Assistance Program (CAAP), a program managed by the Bar Foundation, 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

DID YOU KNOW?

The CAAP Program has many components that serve members and the public:

- *Informally mediates issues between clients and their attorneys which frequently involve lack of communication*
- *Fee Arbitration: provides free arbitration of disputes over legal fees*
- *Processes claims for reimbursement to clients for legal fees paid when an attorney dies or is disciplined and no services were performed*
- *Addresses incidents by attorneys of unprofessional behavior quickly and informally*

Hotline, Client Protection Fund, Disciplinary Board, and the Client Relations 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 the Bar Foundation (formerly known as Special Projects, Inc.) in support of this program.

Expenses

Membership Support	\$86,800
Allocated G & A	<u>32,285</u>
Total Expenses	<u>(\$119,085)</u>

3. Client Protection Fund

The Client Protection Fund is available for persons who have suffered monetary losses due to dishonest conduct by lawyers. Recovery is available for eligible clients in 2004 (maximum \$2,500) from State Bar general operating funds.

Expenses

Direct Expenses	\$50,000
Direct Labor	280
	<u>52,280</u>
Allocated G & A	<u>18,702</u>
Total Expenses	<u>(\$68,982)</u>

4. Lawyers Care Referral Program

The Lawyers Care Referral Program is a program managed by the Bar Foundation. This program is designed to accept pro bono referrals from 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 grants from New Mexico Civil Legal Services.

Expenses

Membership Support	\$43,100
Allocated G & A	<u>16,031</u>
Total Expenses	<u>(\$59,131)</u>

5. Lawyer Referral for the Elderly Program

The Lawyer Referral for the Elderly Program (LREP) is a Bar Foundation legal services program located on the

premises of State Bar. A grant to the Bar Foundation from the Aging and Long Term Care Department is the primary source of funding. Grant money is also secured from New Mexico Civil Legal Services. 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 grant funding.

Expenses

Membership Support	\$28,100
Allocated G & A	<u>10,452</u>
Total Expenses	<u>(\$38,552)</u>

6. Other Public Service Initiatives

The Referral and Public Services Department assists with special initiatives for the public, from time to time, that include programs to address issues such as cancer and HIV/AIDS. In 2004, State Bar will sponsor the Annual High School Essay Contest through the Public Legal Education Committee. This project generates contributions to offset expenses.

Revenue \$1,500

Expenses

Awards	2,000
Direct Labor	<u>550</u>
	2,550
Allocated G & A	<u>948</u>
	3,498
Total, Net	<u>(\$1,998)</u>

7. Public Education 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. Membership support includes direct contributions, as approved by the Board, to Mock Trial, We the People and Dialogue on Freedom.

Mock Trial

Expenses	\$5,000
Allocated G & A	<u>1,860</u>
	<u>(\$6,860)</u>

We the People

Expenses	\$5,000
Allocated G & A	<u>1,860</u>
	<u>(\$6,860)</u>

Dialogue on Freedom

Expenses	\$1,000
Allocated G & A	<u>372</u>
	<u>(\$1,372)</u>

8. Young Lawyers Division Public Service 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/Consumer Issue Workshops
- Homeless Legal Clinic

Expenses

Direct Expenses	\$3,570
Allocated Direct Labor	<u>510</u>
	4,080
Allocated G & A	<u>1,518</u>
Total Expenses	<u>(\$5,598)</u>

III. 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 2004; 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 2004. In the event that lobbying activities are approved and subsequently reported to the membership in 2004, 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 requests for 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. 2002 Non-Budgeted Expenditures

During 2002, the Board of Bar Commissioners approved several non-budgeted expenditures: at the

December 7, 2001 meeting, the Board approved a \$20,000 increase for the Communications Division personnel line; funding of \$464 for the Dialogue on Freedom program was approved at the April 26, 2002 meeting; and at the July 25, 2002 meeting, the Board agreed to support the "We the People" program in the amount of \$130.

The State Bar offices were burglarized three times in 2002, resulting in the loss of computer hardware and software. Two claims were filed with the insurance company and covered. The third claim, however, was not submitted at the suggestion of the insurance agent to ensure continued coverage. The cost to replace the stolen items was \$6,808.

In 2002, the State Bar incurred non-budgeted expenses related to the resignation of the former executive director. The severance package included \$37,417.43 and \$1,280.70 for six months of COBRA coverage.

The Board approved expenditures of \$250 to support a reception for Justice Dan Sosa Jr. and \$300 to co-sponsor the Judicial Reception with the Albuquerque Bar Association.

In 2002, the State Bar incurred expenditures of \$3,000 to educate the staff on union issues. A video tape was purchased from Labor Relations Institute, Inc. for \$936, and \$2,064 was paid to Management Associates, Inc. to educate management and staff on union issues.

IX. Contingency

A. Labor Relations

The State Bar is awaiting a decision from the National Labor Relations Board on the issue of staff unionization.

A NLRB 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 the case. At the time the Budget Disclosure went to press, there was no decision from the NLRB.

At the Board meeting on September 13, 2002, the Board accepted an offer by Noeding & Moody, P.C. to provide pro bono legal services for the State Bar's pending labor matters. The State Bar will incur only related out-of-pocket expenses charged by Noeding & Moody, P.C. If and when incurred, due to the uncertainty as to what will occur in 2004, no expenditures have been budgeted.

B. Litigation

State Bar is currently involved in a lawsuit, but does not anticipate any litigation expenses in 2004 beyond what is covered under the State Bar's insurance policy. The State Bar will incur the amount of any judgment against the State Bar.

VIII. 2003 Non-Budgeted Expenditures

Any material 2003 non-budgeted expenditures approved by the Board of Bar Commissioners will be reported in the 2005 Budget Disclosure Document. At that time,

any such expenditures will have been audited as part of the 2003 annual audit of financials.

NONCHARGEABLE

The Board of Bar Commissioners has determined that all of the proposed expenditures for 2004 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. The historical records were adjusted to reflect the new organizational restructure of the State Bar as described in Note 4. Unassigned staff time was valued and reflected as a component of general and 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 8).

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, 2003.
- 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	\$374,121
Less Amounts Charged Directly to State Bar-Interdepartmental Direct Labor	(151,351)
Amount to General Administration, Administration Office	<u>\$222,770</u>

Note 4. Restructure of State Bar

The Member and Public Resources Department is a newly created department within the State Bar. It consolidates the writing, design and editing functions of the communications division and the sections, committees, divisions and membership functions of the membership administrative and support division into one cohesive department whose mission is to serve members and the public. The department consists of personnel responsible for publications and communication services to the membership and the public. See note 7 for publication administrative allocation.

Membership Lists

Has been reorganized under the Administration Department and is now called Systems. (See page 10) Label billings range from .005 cents per label for internal State Bar use to 25 cents per label for outside, non law-related organizations. Forecasted revenue for 2004 is \$16,000, based on the fact that a membership list policy passed by the Board of Bar Commissioners in 2003 will not adversely affect revenues as projected in 2003.

Outside Production

Has been reorganized under the Administration Department and is now called Print Shop Production. Revenue related to outside production on June 30, 2003 was 68 percent less than expected. The Center for Legal Education's (CLE) brochures being outsourced accounts for part of this shortfall. For purposes of the 2004 budget, outside production revenue was estimated assuming that CLE brochures would be produced in-house. Previous year's actual results were used to forecast 2004 production revenues with this modification.

Note 5. State Bar Center Professional Development Center

Professional Development Center

The Bar Center space owned by State Bar provides three classrooms and three conference rooms. The classrooms are rented as three individual rooms or as one double room and one single room. During 2003 these classrooms were rented by CLE and numerous third-party entities, including an annual contract with the University of New Mexico (UNM) for 2003. Management believes that UNM will renew the contract and anticipates an increase in the use of the Bar Center in 2004. Projected revenue was increased four percent

for 2004. "Food and beverage" itemized below includes direct costs for food and beverages (page 10), labor expenses for inventory and to order food and beverages from third-party entities. Rental fees will not increase in 2004. Projected revenues for 2004 are as follows:

UNM 2002 Estimated Utilization	\$20,000
CLE and Third-Party Utilization	56,500
Food and Beverage Sales	32,000
Equipment Rental	12,000
Contra Tax Account-Gross Receipts	<u>(3,000)</u>
	<u>\$117,500</u>

Bar 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 9).

Note 6. Member and Public Resources

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. The total committees budget does not exceed the gross budget approved by the Board. Sections direct expenses have been projected to equal forecasted revenues.

Annual Convention

Revenue for the 2004 Annual Convention is based on projections from the following sources:

- Registration fees
- Exhibit fees
- Sponsor fees

Albuquerque is the site for the 2004 Annual Convention. Management estimates convention attendance and expenditures to approximate those held in outlying areas in previous years. Registration fees have been budgeted at approximately \$345. The registration fees and optional meals would provide gross convention registration revenue of approximately \$52,440. It is forecasted that revenue from 2004 exhibit fees will be approximately \$10,000; advertising in the program will provide revenue of \$2,500; sponsor fees will provide revenues of \$13,860; and special events will provide approximately \$1,200. Therefore, gross convention revenue for 2004 is forecast to be approximately \$80,000.

Commission on Professionalism

The Commission on Professionalism will continue its administrative and operational functions and responsibilities in 2004. The Bar Foundation's Center for Legal Education will administer the CLE program developed by the Commission. The Commission will

receive funding in 2004 from the general operating funds to promote the professionalism program.

Expenses for the Commission in 2004 will include travel expenses to cover the cost for one State Bar representative to attend a National conference on professionalism and include outreach related to professionalism throughout the state.

Office and General	\$3,250
Travel	3,490
Town Hall Meetings	6,380
Creed	<u>4,750</u>
	17,870
Direct Labor	<u>5,330</u>
Total Expenses	<u>\$23,200</u>

Members Service Programs

Expenses for 2004 are expected to remain consistent with 2003 for the Lawyers Assistance Hotline. In 2004 the State Bar will conduct a scientific, statistically valid membership survey. Risk Management Hotline provides free and confidential consultations regarding professional liability issues, ethical dilemmas and law office management. Risk Management Hotline was funded by ANLIR in previous years. For 2004, program costs will be born by the State Bar.

Note 7. Print Shop Production

A. Revenue

Bar Bulletin (weekly)

As discussed in Note 1, in 2004, membership publications will include a weekly publication, the *Bar Bulletin*. Advertising revenue resulting from this publication has been budgeted based on the following assumptions:

Advertising

Weekly <i>Bar Bulletin</i> :	Full Page	Forecasted
	Equivalent Advertising	Revenue
Display Ads	4.9	\$134,000
Classified Ads	2.4	<u>85,000</u>
Advertising		219,000

Subscriptions:

<i>Bar Bulletin</i>	<u>10,000</u>
	229,000

Less Related Gross	
Receipts Tax (rounded)	<u>(13,310)</u>
Total Revenue	<u>\$215,690</u>

2004 *Bar Bulletin* advertising revenue is projected to increase from the forecasted 2003 revenue amounts.

Bench and Bar Directory

Bench and Bar Directory advertising revenue for 2004 is forecast to increase by 10 percent from 2003's projected annual revenue. Forecasted directory sales revenue is expected to increase 12 percent over 2003 due to the increase in the price and an increase of number of directories printed.

Revenue

Forecasted 2004 Advertising	\$26,000
Forecasted Directory Sales	<u>70,000</u>
2004 Forecasted <i>Bench and Bar Directory</i>	96,000
Less Related Forecasted Gross Receipts Tax	<u>(5,580)</u>
2004 Forecasted <i>Bench and Bar Directory</i> Revenue, Net	<u>\$90,420</u>

B. Expenses

Expenses for the Publications are categorized as follows:

- Direct material expense
 - Direct labor expense
 - Offices overhead, representing expenses that are not directly attributable to a particular production project
- The Publication expenses were adjusted to reflect a marginal 4 percent rate of inflation.

Bar Journal

Due to its budgetary impact, the *Bar Journal* publication will not be published in 2004. Information will be distributed by existing modes of communication. This decision was made by the Executive Committee and was ratified by the Board of Bar Commissioners at its September 12, 2003 meeting.

Publication

Labor and Benefits Expense Distribution

Former Communications Division personnel now work in the Administration or Member and Public Resource Departments. Labor and benefits have been allocated to reflect this reorganization. Both departments charge direct labor and related benefits to projects based on the actual hours captured by internal job sheets. Any remaining uncharged amounts are charged to appropriate line items or the department's 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	Administration Production	Members & Public Resources	Amount
Gross Salary and Benefits	\$112,270	271,640	
Less:			
<i>Bar Bulletin</i> ,			
Labor Expense	42,650	36,330	78,980
<i>Bench and Bar Directory</i> ,			
Labor Expense	4,690	3,990	8,680
Outside Production,			
Labor Expense	<u>7,670</u>	<u>6,530</u>	<u>14,200</u>
	55,010	46,850	101,860
Amounts Charged Directly from State Bar-Interdepartmental			
Direct Labor	<u>8,390</u>	<u>94,330</u>	
	63,400	141,180	
Amount to G & A (rounded)	<u>\$48,870</u>	<u>\$130,460</u>	

Print Shop/Production Department 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 *Bench and Bar Directory*. Allocated G & A forecast to be charged to each project in 2004 represents approximately 44 percent of a project's direct labor cost.

Sections

State Bar encourages attorneys to become actively involved in programs that explore substantive issues related 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 particular sections.

The 2004 section membership revenue is based on the 2003 activity.

Projected 12/31/04	
Section Membership	3,220
Average Fee per Section	<u>\$14.12</u>
Projected 2002 Section	
Membership Revenue (rounded)	<u>\$45,500</u>

Referral and Public Services Department

The Referral and Public Services Department manages the following programs: the Client Protection Fund, Lawyer Referral for the Elderly Program (LREP), Lawyers Care, Client Attorney Assistance Program, Public Service Programs, YLD Public Service Programs, We the People and Dialogue on Freedom.

Other Public Service Initiatives and Administration represents State Bar's financial commitment, as approved by the Board, for the purpose of managing the programs.

Note 8. 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 Production, Membership and Public Resources, Administration and Referral and Public Service. 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, Production represents salaries and other expenses devoted exclusively to administration of the

State Bar publications. All G & A expense for Production was allocated on a pro rata cost basis solely to Production. In the event a particular Production challenge is honored, that individual activity will be allocated its respective pro rata share of the indirect G & A.

Note 9. Land, Ownership, Bar Center

State Bar and New Mexico State Bar Foundation hold ownership in the Bar Center as tenants-in-common. Foundation 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 the Foundation, the Foundation will continue to acquire ownership interest in the Bar Center from State Bar. It is expected that the Foundation will ultimately own approximately 37 percent of the Bar Center by December 2003.

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 the Foundation, 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 (now the New Mexico State Bar Foundation). In 1997, the Lawyers Care Referral Program was transferred from State Bar to what is now the Bar Foundation. For the purposes of identification and designation of the Bar Center floor space for 2004, Bar Foundation activities include CLE, Lawyers Care Referral, CAAP, and LREP, as well as rental of the auditorium. This program allocation is consistent with 2003 allocations.

During 1998, the Bar completed construction of 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 15,227 square feet of that office space based on projected 2004 ownership percentages.

In 2002, State Bar closed on the refinance of its Bar Center. The new mortgage loan provides for a seven year amortization at a fixed rate of six and one-half percent. Previously, the Bar Center mortgage was 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 2004 are estimated to be approximately \$137,100 and \$58,500 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 Bar Foundation

Building Interest	\$58,500
Utilities	31,600
Janitorial and Supplies	17,900
Repairs and Maintenance	25,200
Real Estate Taxes	8,000
Direct Labor	3,200
Landscape Maintenance	5,700
Property Insurance	<u>2,400</u>
Total State Bar Building	
Occupancy Cost	\$152,500

Less Departmental Occupancy Allocations:

	Sq. Ft.	
Professional Development Center	3,762	\$(37,700)
Conf. Rooms, Visiting Atty. Offices	3,646	(36,500)
Administration	2,997	(30,000)
Print Shop/Production	1,681	(16,800)
Member and Public Resources	1,871	(18,800)
Pro Bono Referral	<u>220</u>	<u>(2,200)</u>
	14,177	(142,000)

Expense Reimbursement:

Court Regulated Programs	<u>1,050</u>	<u>(10,500)</u>
Total, Net	<u>15,227</u>	<u>\$0</u>

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