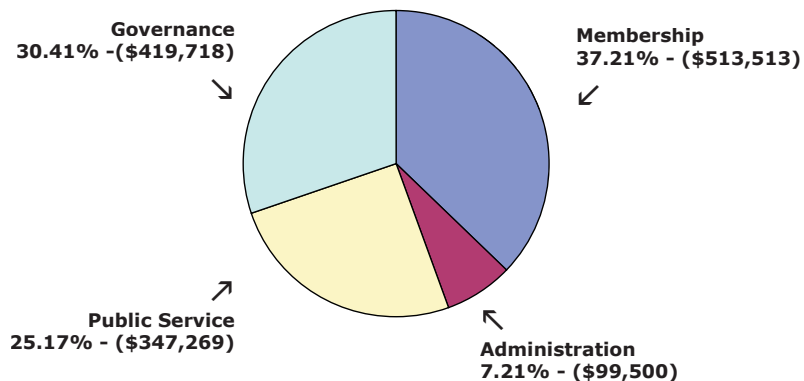


2006 STATE BAR OF NEW MEXICO BUDGET DISCLOSURE

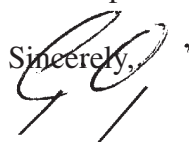
Dear Members:

The Board of Bar Commissioners has approved the following budget for calendar year 2006. The budget is presented 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. **Members wishing to receive a printed copy of the budget disclosure may do so by calling (505) 797-6035 or 1-800-87nmbar (876-6881).** Instructions for challenging expenditures you believe to be non-germane 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 2006 will be approximately \$1,972,930. Of this amount, approximately \$592,930 is expected to be supported by non-dues revenue and approximately \$1,380,000 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 2004 which are outlined in this budget disclosure. These items were funded without a dues increase.

The financial condition of the State Bar is sound 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,


Craig A. Orraj
Secretary-Treasurer

YOUR DUES FOR 2006

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 2006 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 2006 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 REDW, 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 accountants' 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 13, 2005; delivered in person; or sent by fax to the State Bar's office before 5:00 p.m. on December 14, 2005. 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 a 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 decisionmaker, who will be designated by the Supreme Court of New Mexico to hear challenges to the 2006 Budget. The challenge proceedings shall be informal in nature, and the State Bar shall have the burden to show that the disputed matters are within the scope of permissible activities for which mandatory fees may be used under the constitutional standard of *Keller* and related cases.

The challenger(s) will be given an opportunity to present their own evidence and to present written arguments in support of their challenge(s). The decisionmaker will issue a written decision on whether or not a challenged expenditure is chargeable or 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 decisionmaker will decide the amount, if any, to be refunded or deducted.

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

A copy of the State Bar's Bylaws pertaining to challenges and the procedures for such challenges may be obtained by visiting our Web site 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.

REDW

The Rogoff Firm

LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report

Board of Bar Commissioners
State Bar of New Mexico

We have examined the accompanying forecasted (budgeted) statement of chargeable and non-chargeable expenses/expenditures by functional category of the State Bar of New Mexico for the year ending December 31, 2006. State Bar of New Mexico's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards 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. We believe that our examination provides a reasonable basis for our opinion.

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



October 26, 2005

STATE BAR OF NEW MEXICO
Budgeted Statement of Chargeable and Non-Chargeable Expenses/Expenditures by Functional Category
For the Year Ending December 31, 2006

	Expenses	Total Allocated	Non-Dues Funds	Net Amounts Funded	Percentage of Dues
CHARGEABLE					
I STATE BAR GOVERNANCE, ADMINISTRATION AND ORGANIZATION					
A Board of Bar Commissioners (page 7)	128,465	22,989		151,454	10.97%
B Capital Outlay (page 7)	203,320	36,384		239,704	17.37%
C Litigation					
1 General Litigation (page 7)	2,910	521		3,431	0.25%
2 Popejoy/Keller Challenge Procedure (page 7)	21,315	3,814		25,129	1.82%
II STATE BAR ORGANIZATION					
A Administration Department					
1 Administration (page 8)	299,466	(299,466)			
2 Accounting					
a Credit Card Merchant Fees (page 9)	15,000	2,684		17,684	1.28%
b Dues & Licensing Form (page 9)	6,000	1,074		7,074	0.51%
3 Human Resources (page 9)	3,290	589		3,879	0.28%
4 Print Shop/Production (page 9)	70,140	(70,140)			
a Outside Production (page 9)	39,010	25,810	42,560	22,260	1.61%
5 State Bar Center					
a Professional Development Center (Classrooms) (page 9)	96,070	17,192	134,400	(21,138)	(1.53%)
b Conference Rooms, Visiting Attorneys' Offices, Computer Resource Room (page 10)	29,700	5,315		35,015	2.54%
6 Systems					
a Membership Lists (page 10)	100	18	9,800	(9,682)	(0.70%)
b World Wide Web Site (page 10)	45,530	8,148	9,270	44,408	3.22%
7					
B Membership and Communications Department					
1 Administration (page 10)	138,945	(138,945)			
2 Committees (page 11)	36,570	16,187		52,757	3.82%
3 Divisions					
a Paralegal Division (page 11)					
b Senior Lawyers Division (page 11)	5,580	2,470		8,050	0.58%
c Young Lawyers Division (page 11)	28,266	12,509		40,775	2.95%
4 Membership Services Programs					
a Alliance Programs (page 12)	400	177	12,870	(12,293)	(0.89%)
b Attorney Compensation/Salary Survey Report (page 12)			2,500	(2,500)	(0.18%)
c Commission on Professionalism (page 12)	4,820	2,133		6,953	0.50%
d Judicial Receptions (page 12)	500	222		722	0.05%

See accompanying Summary of Significant Assumptions and Accounting Policies and Independent Accountants' Report.

STATE BAR OF NEW MEXICO
Budgeted Statement of Chargeable and Non-Chargeable Expenses/Expenditures by Functional Category
For the Year Ending December 31, 2006

	Expenses	Total Allocated	Non-Dues Funds	Net Amounts Funded	Percentage of Dues
CHARGEABLE					
e Lawyers Assistance Hotline (page 12)	20,930	9,264		30,194	2.19%
f Leadership Training (page 12)	4,000	1,771		5,771	0.42%
g Lending Library (page 12)	300	133		433	0.03%
h Membership Outreach (page 12)	3,365	1,490		4,855	0.35%
I Mentorship (page 12)	750	332		1,082	0.08%
j NABE Communications Workshop (page 12)	1,000	443		1,443	0.10%
k Online Legal Research (page 13)	48,000	21,243		69,243	5.02%
l Risk Management Hotline (page 13)	7,000	3,099		10,099	0.73%
5 Publications					
a Bar Bulletin (page 13)	269,920	178,583	244,050	204,453	14.84%
b Bench and Bar Directory (page 13)	68,680	45,440	88,830	25,290	1.83%
c Other Member/Public Information Initiatives (page 13)					
Pamphlets (page 13)	1,125	498	150	1,473	0.11%
Sections (page 13)	77,090	34,123	46,500	64,713	4.69%
C Public and Legal Services Department					
1 Administration (page 14)	275,100	49,229		324,329	23.50%
3 Other Public Service Initiatives (page 14)	3,940	1,744	2,000	3,684	0.27%
4 Public Service Program					
a Mock Trial (page 14)	7,500	1,342		8,842	0.64%
5 Young Lawyers Division Public Service Programs (page 14)	8,833	1,581		10,414	0.75%
	1,972,930	0	592,930	1,380,000	100.00%

III LEGISLATIVE ACTIVITY

A Lobbying Approved by the Board of Bar Commissioners (page 14)

B Sections' Lobbying Activities (page 14)

IV Non-Budgeted 2004 Expenditures (page 14)

8,452

\$8,452

V Non-Budgeted 2005 Expenditures (page 14)

VI Contingency-Labor Relations (page 15)

NonChargeable

2006 Active Dues (over three years) – \$215; Active Dues Young Lawyers (second year) – \$165; Active Dues Young Lawyers (first year) – \$115
 See accompanying Summary of Significant Assumptions and Accounting Policies and Independent Accountants' Report.

STATE BAR OF NEW MEXICO SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES YEAR ENDING DECEMBER 31, 2006

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 legal research, 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 October 26, 2005, 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 2006 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 (non-chargeable).

Depreciation/Amortization

This statement has been prepared without regard to depreciation or amortization since the issues of chargeable and non-chargeable 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).

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 2006, there will be six regularly scheduled meetings. While Board members receive no compensation, they do receive mileage and per diem allowances for travel, in accordance with the State of New Mexico and IRS travel policies.

The expenses for Board meetings are based on the assumption that during 2006, two Board meetings will be held in Albuquerque, one will be held in connection with the Annual Meeting in Durango, one in each of the following locations: Roswell, Tucumcari and Cloudcroft. 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. Included within this item is travel for officers to attend various State Bar related activities, conferences and training programs. The 2006 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 (Chicago) and Annual (Hawaii) meetings; all four officers will attend the Western States Bar Conference (San Diego); and the President-Elect and Vice-President will attend the Bar Leadership Institute (Chicago). In a continuing effort to prioritize the philosophical and programming decisions of the State Bar, the Board will hold a strategic planning session in conjunction with a regularly planned Board meeting in 2006. 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.

Awards are presented to recognize those who have distinguished themselves or who have made exemplary contributions to the State Bar.

Board Expenses

Direct Labor Allocation	\$60,390
Meetings.....	36,500
Travel	23,275
Awards	3,500
Past President's Dinner	3,500
Miscellaneous	800
Administrative Support for President	300
Teleconferences.....	<u>200</u>
	128,465
Allocated G & A	<u>22,989</u>
Total Expenses	<u>(\$151,454)</u>

B. Capital Outlay

During 2006, 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	\$155,985
Bar Center Upgrades.....	17,595
Capital Lease Principal Payments:	
Copier.....	17,070
Mailing Machine.....	6,430
Labeler	<u>6,240</u>
	203,320
Allocated G & A	<u>36,384</u>
Total Expenditures	<u>(\$239,704)</u>

C. Litigation

1. General Litigation

State Bar is currently involved in a lawsuit, but does not anticipate any litigation expenses in 2006 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

Direct Labor Allocation	\$2,810
Direct Expenses	<u>100</u>
	2,910
Allocated G & A	<u>521</u>
Total Expenses	<u>(\$3,431)</u>

2. Popejoy/Keller Challenge Procedure

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

Accounting/Budget Audit	\$12,255
Direct Labor Allocation (time keeping)	8,660
Printing.....	300
Arbitrator Fees	<u>100</u>
	21,315
Allocated G & A	<u>3,814</u>
Total Expenses	<u>(\$25,129)</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 2006 allocations of direct labor costs are based primarily on 2005 time studies and outside billings through June 2005. 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 2006 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 Specialization, Paralegal Division, and the Disciplinary Board. Additionally, Foundation programs (Center for Legal Education, Public and Legal Services programs 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, systems and World Wide Web. Expenses for Administration Department 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 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	\$53,000
CLE	51,000
Disciplinary Board	16,400
Duplication	11,700
Interest on Bank Accounts	10,000
PLSD	8,200
MCLE	5,200
PHV Fee for Collection & Administration ..	5,000
DLA	4,100
Admin. Fees for Dues Collection	3,890
Discounts Taken	1,700
Specialization	1,350
Paralegal Division	750
Miscellaneous	500
Bar Foundation-General	150
NSF Fees	<u>100</u>
Total G & A Revenue.....	173,040

Expenses

Direct Labor Allocation	
(see Note 2 and 3)	288,971
Equipment Maintenance:	43,405
Bar Center Occupancy (see Note 9)	24,800
Insurance:	18,900
Training & ED & Staff	17,705
Audit	12,255
Office/Duplicating Supplies	12,000
Advertising	10,200
Telephone	8,740
Co-Branding	7,500
Postage	6,420
Interest on Capital Leases	5,120
Pension Plan Administration	4,000
Staff Morale/Retreat	3,000
Taxes and Fees	2,680
Dues & Subscriptions	1,200
Internet	1,160
Shred-It	1,050
Miscellaneous	1,000
Printing	1,000
Bank Fees	900
Errands	<u>500</u>
Total Administration Expenses	<u>472,506</u>
Net Administration	(299,466)
Less Allocated G & A	<u>299,466</u>
Total, Net	<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)
- Receipt of checks
- Review and approval of revenue, expenses (accounts payable)
- Room rental and service
- 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 Court Regulated Programs and the Disciplinary Board. The State Bar is reimbursed by these entities to prepare monthly financial statements, conduct annual audit and collect dues.

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 2.6 percent of the credit card charges processed for VISA, MasterCard, American Express and Discover. 2006 fees are based on a reduction in merchant fees reflected in 2005.

Expenses	
Credit Card Fees	\$15,000
Allocated G & A	<u>2,684</u>
Total Expenses	<u>(\$17,684)</u>

b. Dues and Licensing Forms

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

Expenses	
Dues & Licensing Forms	\$6,000
Allocated G & A	<u>1,074</u>
Total Expenses	<u>(\$7,074)</u>

3. Human Resources

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

Expenses	
Staff Training & Education	\$1,500
Staff Insert	750
Management Trainings	500
Dues and subscription	360
Meetings	<u>180</u>
	3,290
Allocated G & A	<u>589</u>
Total Expenses	<u>(\$3,879)</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

Direct Labor Allocation (see Note 6) ..	\$38,240
Equipment Maintenance	14,000
Bar Center Occupancy (see Note 9)	13,600
Telephone	900
Training & Education Other Staff	870
Duplication	500
OSHA	500
Postage-Unallocated	500
Software	350
Contract Labor	300
Miscellaneous	250
Printing Supplies/Office	100
Dues	<u>30</u>
	70,140
Less Allocated G & A	<u>(70,140)</u>
Total Expenses	<u>\$0</u>

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	\$42,560
Expenses	
Oproduction Supplies.....	25,700
Production Labor/Benefits	10,300
Postage and Delivery	2,000
Direct Labor Allocation	<u>1,010</u>
	39,010
Allocated G & A	<u>25,810</u>
Total Expenses	<u>64,820</u>
Total, Net.....	<u>(\$22,260)</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 (see Note 4)	\$134,400
Expenses	
Direct Labor Allocation (see Note 2).....	41,120
Bar Center Occupancy (see Note 9).....	31,800
Food and beverages.....	22,000
Telephone.....	700
Errands	<u>450</u>
	96,070
Allocated G & A	<u>17,192</u>
Total Expenses	<u>113,262</u>
Total, Net.....	<u>\$21,138</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).....	\$29,700
Allocated G & A	<u>5,315</u>
Total Expenses	<u><u>(\$35,015)</u></u>

6. Systems

Systems maintains the State Bar membership database.

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	\$10,000
Contra Tax Account Gross Receipts	<u>(200)</u>
Total Revenues	9,800

Expenses

Supplies.....	100
Allocated G & A	<u>18</u>
Total Expenses	<u>118</u>
Total, Net.....	<u><u>\$9,682</u></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 allocated labor 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 remain the same as 2005. Revenues include Web site advertising and the development and maintenance of sub-sites for other bar related entities.

Revenue

Advertising.....	\$5,620
Administration and Dev. For Other Entities ..	4,000
Contra tax Account-Gross Receipts	<u>(350)</u>
Total Revenues	9,270

Expenses

Direct Labor Allocation (see Note 2).....	34,130
Web Technical Contract	9,000
Marketing	1,500
Supplies/Software	<u>900</u>
	45,530
Allocated G & A	<u>8,148</u>
Total Expenses	<u>53,678</u>
	<u><u>(\$44,408)</u></u>

B. Membership and Communications Department

Services provided by the Membership and Communications Department include assistance to sections, committees, and divisions; writing, editing and design of State Bar publications; dissemination of media releases and responding to media requests; administration of association agreements for discounts on products and services provided by third-party vendors; and management of State Bar membership programs.

1. Administration

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

Expenses

Direct Labor Allocation (see Note 6)	\$104,400
Bar Center Occupancy (see Note 9).....	15,300
Insurance	6,150
Telephones	4,040
Training/Education	3,755
Internet	1,150
Postage	1,000
Marketing	1,000
Software	900
Supplies	500
Duplication	350
Misc	200
Dues	<u>200</u>
Total Expenses	138,945
Less Allocated G & A	<u>(138,945)</u>
	<u><u>\$0</u></u>

Activities charged to Membership and Communications G & A include:

- Communications with other state and local bars regarding publications and communication services
- Departmental clerical/mail
- Department 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 2006, 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.** Advises the State Bar Client Attorney Assistance Program (CAAP), which attempts to resolve minor problems that clients may have with their attorneys. CAAP administers the State Bar's Client Protection Fund, Fee Arbitration Panel, Peer Assistance Program and unauthorized practice of law complaints.
- f. **Committee on Women and the Legal Profession.** Addresses issues affecting women as lawyers and judges and monitors substantive issues of women served by the legal system.
- 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. **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.
- i. **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.
- j. **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.
- k. **Lawyers Assistance Committee.** Provides education and peer assistance to the State Bar members on substance abuse, addictions, and depression.
- l. **Lawyers Professional Liability Committee.** Advises the State Bar regarding risk management.
- m. **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.
- n. **Medical-Legal Grievance Committee.** Attempts to resolve specific complaints between the two professions.

- o. **Medical-Legal Liaison Committee.** Addresses basic issues of mutual concern to the two professions: e.g., the Medical Malpractice Act.
- p. **Membership Services Committee.** Identifies and reviews programs and benefits to assist and serve State Bar members.
- q. **NM Medical Review Commission.** Screens medical malpractice claims.
- r. **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.
- s. **Quality of Life Committee.** Studies quality of life issues and implements recommendations of the Quality of Life Task Force.
- t. **Technology Utilization Committee.** Assists with the education and promotion of technology in the legal profession.

Expenses

Direct Labor Allocation	\$21,570
Committee Pool	<u>15,000</u>
	36,570
Allocated G & A	<u>16,187</u>
Total Expenses	<u>(\$52,757)</u>

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 its 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 2006 include assisting the State Bar's KOB-TV Call-In Program.

Expenses

Direct Expenses	\$5,580
Allocated G & A	<u>2,470</u>
Total Expenses	<u>(\$8,050)</u>

c. YLD Programs Providing Services to Members

Conduct Membership Outreach. YLD will continue its membership outreach in 2006 by providing information and membership programs such as:

- Bar Exam Support Programs
- Bench/Bar Activities
- Career Fair
- CLE
- Law School Activities
- Leadership Training
- Membership Communication (Brochures and Mailings)
- Plaques
- Publications
- Networking
- Swearing-in Receptions
- UNM Law Student Programs

Expenses

Direct Expenses	\$13,063
Allocated G & A	<u>5,781</u>
Total Expenses	<u>(\$18,844)</u>

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

Expenses

Direct Expenses	\$15,203
Allocated G & A	<u>6,728</u>
Total Expenses	<u>(\$21,931)</u>

4. Membership Services

a. Alliance Program

Vendors participate in the State Bar’s Alliance Program provide savings on products and services to members. Companies offering discounts on insurance, financial services, travel and office supplies, to name a few, participate.

Revenues	\$12,870
Expenses	
Direct Expenses	400
Allocated G & A	<u>177</u>
Total Expenses	<u>577</u>
Total, Net.....	<u>\$12,293</u>

b. Attorney Compensation/Salary Survey

In 2006, the State Bar will make available a salary survey to assist its members by providing current compensation data for various levels within the legal profession.

Revenue	<u>\$2,500</u>
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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 2006. In 2006, 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. Center for Legal Education will administer the CLE program developed by the Commission. The Commission will receive support in 2006 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	\$4,820
Allocated G & A	<u>2,133</u>
Total Expenses	<u>(\$6,953)</u>

d. Judicial Receptions

The Board receives requests of monetary support from the law-related groups to sponsor/cosponsor judicial.

Expenses	
Receptions.....	\$500
Allocated G & A	<u>222</u>
Total Expenses	<u>(\$722)</u>

e. Lawyers Assistance Program

The Lawyer Assistance Program 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	\$20,930
Allocated G & A	<u>9,264</u>
Total Expenses	<u>(\$30,194)</u>

f. Leadership Training Institute

The Leadership Training Institute identifies and trains current and future leaders to meet the needs of the State Bar of New Mexico and the public by assuming leadership roles in State Bar, voluntary bar, local bar, judiciary and civic organizations.

Expenses	\$4,000
Allocated G & A	<u>1,771</u>
Total Expenses	<u>(\$5,771)</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	\$300
Allocated G & A	<u>133</u>
Total Expenses	<u>(\$433)</u>

h. Membership Outreach

In 2006, State Bar will continue its outreach and communication efforts to the membership and to promote collaboration and support to voluntary and local bars.

Expenses	\$3,365
Allocated G & A	<u>1,490</u>
Total Expenses	<u>(\$4,855)</u>

i. Mentorship

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

Expenses	\$750
Allocated G & A	<u>332</u>
Total Expenses	<u>(\$1,082)</u>

j. NABE Communications Workshop

The National Association of Bar Executives will host a workshop in Albuquerque in 2006 for Bar communicators and will host a reception for the visiting states at the State Bar Center.

Expenses	\$1,000
Allocated G & A	<u>443</u>
Total Expenses	<u>(\$1,443)</u>

k. Online Legal Research

The Board of Bar Commissioners will enter into a contract to provide free online legal research for State Bar members beginning sometime in 2006. The Board is deciding between two products, CaseMaker and FastCase.

Expenses	\$48,000
Allocated G & A	<u>21,243</u>
Total Expenses	<u>(\$69,243)</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	\$7,000
Allocated G & A	<u>3,099</u>
Total Expenses	<u>(\$10,099)</u>

5. Publications

The Membership and Communications 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).

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 (see Note 6)	\$253,050
Subscriptions.....	8,700
Contra Tax Account-Gross Receipts ...	<u>(17,700)</u>
	244,050
Expenses	
Production labor and Benefits.....	91,800
Printing.....	91,600
Postage and Delivery	65,600
Direct Labor Allocation	<u>20,920</u>
	269,920
Allocated G & A	<u>178,583</u>
Total Expenses	<u>448,503</u>
Total, Net.....	<u>(\$204,453)</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 related to advertising is anticipated to remain the same; however, sales is projected to decrease from \$75,000 to \$67,000.

Revenue

Subscriptions.....	\$67,000
Advertising.....	28,230
Contra Tax Account-Gross Receipts	<u>(6,400)</u>
	88,830

Expenses

Printing.....	48,300
Production labor and Benefits.....	7,000
Postage and Delivery	11,500
Direct Labor Allocation	<u>1,880</u>
	68,680
Allocated G & A	<u>45,440</u>
Total Expenses	<u>114,120</u>
Total, Net.....	<u>(\$25,290)</u>

c. Other Member/Public Information Initiatives

The Membership and Communications Department, in conjunction with the Public Legal Education Committee is revising State Bar's consumer pamphlet series for 2006. 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 at cost and free to the public.

Revenues	\$150
Expenses	
Printing.....	1,125
Allocated G & A	<u>498</u>
Total Expenses	<u>1,623</u>
Total, Net.....	<u>(\$1,473)</u>

6. Sections Administration

The State Bar has 19 sections relating to practice areas. The sections are funded with voluntary dues by their members. There is a projected 1 percent decrease in fees in 2006. 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 regarding policies and procedures, and to oversee elections. In addition the Membership and Communications Department trains section leaders prior to their taking office chairing a board of directors.

Revenue (see Note 5)	\$46,500
Expenses	
Section Expenses	46,500
Direct Labor Allocation	29,390
Section Chair Orientation	<u>1,200</u>
	77,090
Allocated G & A	<u>34,123</u>
Total Expenses	<u>111,213</u>
Total, Net.....	<u>(\$64,713)</u>

C. Public and Legal Services Department

1. Administration

The Public and Legal Services Department (PLSD) of the State Bar of New Mexico provides programs, activities and opportunities for both members of the bar and the public. The department manages the public and legal service programs of the State Bar and New Mexico State Bar Foundation. Programs include:

- Client-Attorney Assistance Program (CAAP) which administers a client-attorney helpline, client protection fund, fee arbitration and peer assistance programs;
- Lawyer Referral for the Elderly Program (LREP), which has a legal helpline, outreach and referral program and
- Outreach/Referral and Education Services which includes legal helplines, information, referrals, public education and outreach programs of the State Bar and Bar Foundation.

Direct expenses were estimated using historical results and are expected to increase from prior year expenditures.

Expenses

Direct Expenses	\$275,100
Allocated G & A	<u>49,229</u>
Total Expenses	<u><u>(\$324,329)</u></u>

2. Other Public Service Initiatives

PLSD assists with special initiatives for the public, from time to time, that include programs to address issues such as cancer and HIV/AIDS. In 2006, State Bar will sponsor the Annual High School Essay Contest through the Public Legal Education Committee. This project generates contributions to offset expenses.

Revenue.....	\$2,000
Expenses	
Direct Expenses	3,650
Direct Labor Allocation	<u>290</u>
	3,940
Allocated G & A	<u>1,744</u>
Total Expenses	<u>5,684</u>
Total, Net.....	<u><u>(\$3,684)</u></u>

3. 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, Classroom Law Project, and others. Membership support includes direct contributions, as approved by the Board, to Mock Trial.

Mock Trial

Expenses

Direct Expenses	\$7,500
Allocated G & A	<u>1,342</u>
Total Expenses	<u><u>(\$8,842)</u></u>

4. 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

Homeless Legal Clinic

YLD Summer Fellowship

Expenses

Direct Expenses	\$8,833
Allocated G & A	<u>1,581</u>
Total Expenses	<u><u>(\$10,414)</u></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 2006; 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 2006. In the event that lobbying activities are approved and subsequently reported to the membership in 2006, 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.

IV. 2004 Non-Budgeted Expenditures

During 2004 the Board of Bar Commissioners approved several non-budget expenditures: at the December 12, 2003 meeting, the Board approved up to \$2,000 for the President and one staff member to attend the Client Protection Forum in Naples, Florida in June of 2004. At the January 23, 2004 Board meeting, the Board approved funds be moved from the Annual Convention

line item to Leadership Training Institute, \$3,063 was used for the Institute. The National Conference of Bar Presidents met in Albuquerque in October and the Board approved a non-budgeted amount of \$98 to host a dinner for the NCBP Bar Presidents at the May 7, 2004 board meeting; in addition at the meeting the Board approved the support of the Las Cruces Satellite office, \$2,941 was expended. At the July 23, 2004 Board meeting approved for a Board member to attend the Hispanic National Bar Association's swearing-in of New Mexico's Alan Varela as president of the National Organization, \$350 was expended for the Vice-President of the Bar to attend.

V. 2005 Non-Budgeted Expenditures

Any material 2005 non-budgeted expenditures approved by the Board of Bar Commissioners will be reported in the 2007 Budget Disclosure Document. At that time, any such expenditures will have been audited as part of the 2005 annual audit of financials.

**VI. 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. Due to the uncertainty as to what will occur in 2006, no expenditures have been budgeted.

B. Litigation

State Bar is currently involved in a lawsuit, but does not anticipate any litigation expenses in 2006 beyond what is covered under the State Bar's insurance policy. The State Bar will only incur the amount of the \$10,000 insurance deductible, if the State Bar should not prevail.

NONCHARGEABLE

The Board of Bar Commissioners has determined that all of the proposed expenditures for 2006 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 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, 2005.

- 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	518,950
Less Amounts Charged Directly to State Bar-Interdepartmental Direct Labor	<u>(229,979)</u>
Amount to General Administration, Administration Office.....	<u>\$288,971</u>

Note 4. 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 2005 these classrooms were rented by CLE and numerous third-party entities, including an annual contract with the University of New Mexico (UNM). Management believes that UNM will renew the contract and anticipates an increase in the use of the Bar Center in 2006. Projected revenue was increased one percent for 2006. "Food and beverage" itemized below includes direct costs for food and beverages (page 9), labor expenses for inventory and to order food and beverages from third-party entities. Rental fees will increase in 2006. Projected revenues for 2006 are as follows:

UNM Estimated Utilization	\$22,000
CLE and Third-Party Utilization.....	68,000
Food and Beverage Sales	42,000
Equipment Rental.....	6,200
Contra Tax Account-Gross Receipts	<u>(3,800)</u>
	<u>\$134,400</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 5. Membership Services

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 Meeting

Note: The Annual Meeting will be held in Durango, CO and is in the New Mexico State Bar Foundation’s budget under the Continuing Legal Education funding for 2006. No Bar dues will be expended on the annual meeting.

Commission on Professionalism

The Commission on Professionalism will continue its administrative and operational functions and responsibilities in 2006. The Bar Foundation’s Center for Legal Education will administer the CLE program developed by the Commission. The Commission will receive funding in 2006 from the general operating funds to promote professionalism. Expenses for the Commission in 2006 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.

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 2006 section membership revenue is based on the 2005 activity.

Projected 12/31/06	
Section Membership	3,150
Average Fee per Section	\$14.75
Projected 2006 Section	
Membership Revenue (rounded).....	<u>\$46,500</u>

Note 6. Publications

A. Revenue

Bar Bulletin (weekly)

As discussed in Note 1, in 2006, 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

<i>Weekly Bar Bulletin:</i>	Full Page	Forecasted
	Equivalent Advertising	Revenue
Display Ads	6.3	\$143,200
Classified Ads	3.0	98,600
Inserts		<u>11,250</u>
Advertising		253,050

Subscriptions:

<i>Bar Bulletin</i>	<u>8,700</u>
	261,750
Less Related Gross Receipts Tax (rounded)	<u>(17,700)</u>
Total Revenue	<u>\$244,050</u>

2006 *Bar Bulletin* advertising revenue is projected to increase by 13% from the forecasted 2005 revenue amounts. Fifteen inserts are expected to be sold at \$750 per insert in 2006.

Bench and Bar Directory

The publication also contains advertisements. Revenue related to advertising is anticipated to remain the same; however, sales is projected to decrease from \$75,000 to \$67,000.

Revenue

Forecasted 2006 Advertising.....	\$28,230
Forecasted Directory Sales	<u>67,000</u>
2006 Forecasted Bench and Bar Directory	95,230
Less Related Forecasted Gross Receipts Tax	<u>(6,400)</u>
2005 Forecasted Bench and Bar	
Directory Revenue, Net	<u>\$88,830</u>

B. Expenses

Expenses for the Publications are categorized as follows:

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

Publication

Labor and Benefits Expense Distribution

Both Membership and Communications and the Print Shop departments charge direct labor and related benefits to projects based on the actual hours captured by internal job sheets. Labor and benefits for publications has been calculated at a rate of 54 percent from the Membership and Communications Department and 46 percent from the Print Shop production. The percentages were estimated from the production jobs completed in 2005. 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	Administration	Membership &	Total
Distribution	Production	Communication	Amount
Gross Salary and Benefits	\$63,500	231,500	295,000
Less:			
<i>Bar Bulletin</i> ,			
Labor Expense	42,230	49,570	91,800
<i>Bench and Bar Directory</i> ,			
Labor Expense	3,220	3,780	7,000
Outside Production,			
Labor Expense	<u>4,740</u>	<u>5,560</u>	<u>10,300</u>
	50,190	58,910	\$109,100
	<u>13,310</u>	<u>172,590</u>	<u>185,900</u>
Amounts Charged Directly from			
State Bar-Interdepartmental			
Direct Labor	<u>(24,930)</u>	<u>68,190</u>	<u>43,260</u>
Amount to G & A			
(rounded)	<u>\$38,240</u>	<u>\$104,400</u>	<u>142,640</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 2006 represents approximately 37 percent of a project's direct labor cost.

Note 7. Public and Legal Services Department

The Public and Legal 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, Classroom Law Project 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 own 36 percent of the Bar Center. 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 2006, Bar Foundation activities include CLE, and Public and Legal Services Programs, as well as rental of the auditorium. This program allocation is consistent with 2005 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 2006 ownership percentages. In 2002, State Bar closed on the refinance of its Bar Center. The current 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 2005, the State Bar will be responsible for approximately 64 percent of building utilities, maintenance and personnel. With the refinance, principal and interest due the bank in 2006 are estimated to be approximately \$155,985 and \$39,600 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	\$39,600
Utilities	30,400
Janitorial and Supplies	21,400
Repairs and Maintenance	13,100
Real Estate Taxes	8,900
Direct Labor	3,800
Property Insurance	3,700
Landscape Maintenance	<u>2,800</u>
Total State Bar Building Occupancy Cost	\$123,700

Less Departmental Occupancy Allocations:

	Sq. Ft.	
Professional Development Center	3,910	(\$31,800)
Conf. Rooms, Visiting Atty. Offices	3,646	(29,700)
Administration	3,055	(24,800)
Print Shop/Production	1,681	(13,600)
Member and Communications Department	<u>1,871</u>	<u>(15,300)</u>
	14,163	(115,200)
Expense Reimbursement:		
Court Regulated Programs	<u>1,050</u>	<u>(8,500)</u>
Total, Net	<u><u>15,213</u></u>	<u><u>(\$123,700)</u></u>

