

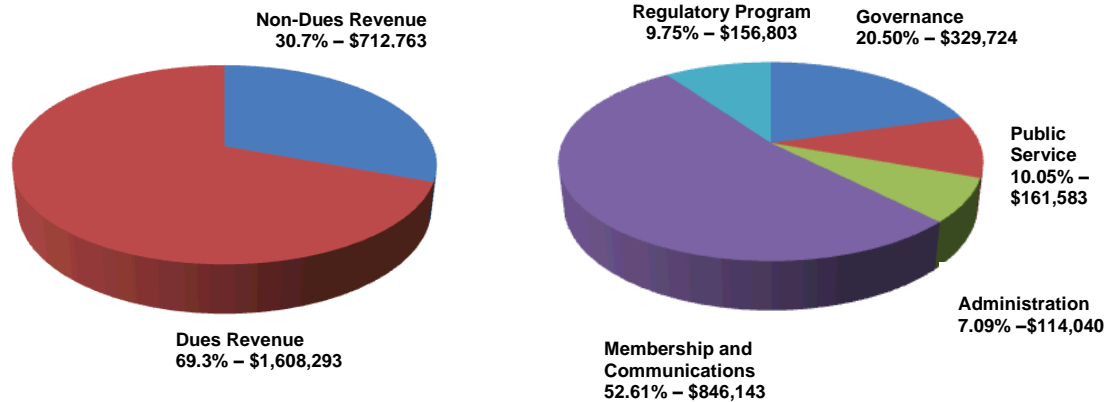
2011



STATE BAR
of **NEW MEXICO**
2011 Budget Disclosure

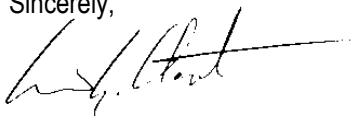
Dear Members:

The Board of Bar Commissioners has approved the budget for calendar year 2011. The budget is available in its entirety on the State Bar website at www.nmbar.org in order 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. In addition, members wishing to receive a printed copy of the budget disclosure may do so by calling (505) 797-6035 or (800) 87nmbar (876-6227). Instructions for challenging expenditures believed to be non-germane are set forth on page two of the 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 2011 are budgeted to be \$2,321,056. Of this amount, approximately \$712,763 is expected to be supported by non-dues revenue, and approximately \$1,608,293 will be funded by dues (see chart below left). The chart on the right illustrates the total dues-supported budget broken into five main categories.



There were no material non-budgeted expenditures in the 2009 audit. The financial condition of the State Bar is sound, and the Board is proud of the many programs and services the State Bar provides to the membership and the public.

Sincerely,



Andrew J. Cloutier
Secretary-Treasurer
State Bar of New Mexico

Your Dues for 2011

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 2011 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 2011 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, and phone number and should identify the challenge category. A challenger must sign the challenge and submit it to:

Madonna Vandeventer, Director of Finance
State Bar of New Mexico
PO Box 92860
Albuquerque, NM 87199

on or before 30 days from the date thereof. Thus, the challenge must be postmarked on or before December 14, 2010; delivered in person to 5121 Masthead NE, Albuquerque, NM; or sent by fax to the State Bar's office, (505) 797-6019, before 5 p.m. December 15, 2010. 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 2011 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 nonchargeable, the challenger shall either be entitled to a refund of the challenged dues or may deduct that amount from dues if the decision is rendered prior to the time dues are to be paid. In addition, the decisionmaker will decide the amount, if any, to be refunded or deducted. If the decision is not rendered before dues are to be paid, the Board of Bar Commissioners shall escrow the challenged portion of the challenger's dues into a separate interest bearing bank account until the decision is rendered.

A copy of the State Bar's Bylaws pertaining to challenges and the procedures for such challenges may be obtained by visiting our website at www.nmbar.org calling (505) 797-6035 or by writing the State Bar office at 5121 Masthead NE, PO Box 92860 (87199), Albuquerque, NM 87109.

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, 2011. 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 and expenses 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.

REDW LLC

November 3, 2010

STATE BAR OF NEW MEXICO
BUDGETED STATEMENT OF CHARGEABLE AND NON-CHARGEABLE
EXPENSES/EXPENDITURES BY FUNCTIONAL CATEGORY
YEAR ENDING DECEMBER 31, 2011

	Total Expenses	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)	\$156,030	\$34,924		\$190,954	11.87%	20.50%	\$329,724
B. Capital Outlay (page 7)	95,640	21,407		117,047	7.28%		
C. Litigation (page 7)							
1. General Litigation	100	22		122	0.01%		
2. Popejoy/Keller Challenge Procedure	17,650	3,951		21,601	1.34%		
II. State Bar Organization							
A. Administration Department							
1. Administration (page 8)	424,500	-424,500				7.09%	114,040
2. Accounting (page 9)							
a. Credit Card Merchant Fees	28,000	6,267		34,267	2.13%		
b. Dues & Licensing Form	3,900	873		4,773	0.30%		
c. Great Plains Accounting Software Training	3,000	671		3,671	0.23%		
d. Payroll-Outsourcing	5,000	1,119		6,119	0.38%		
3. Human Resources (page 9)	1,320	295		1,615	0.10%		
4. Print Shop/Production (page 9)	165,941	-165,941					
Outside Production (page 9)	20,320	20,014	\$44,000	-3,666	-0.23%		
5. State Bar Center (page 10)							
Professional Development Center (Classrooms)	128,805	28,830	114,913	42,722	2.66%		
6. IT: Membership Lists (page 10)	-	-	5,550	-5,550	-0.35%		
7. Website (page 10)	27,160	6,079	3,150	30,089	1.87%		
B. Membership and Communications Department							
1. Administration (page 10)	150,694	-150,694				52.61%	846,143
2. Committees (page 11)	37,970	17,155		55,125	3.43%		
3. Divisions (page 12)							
a. Paralegal Division	-						
b. Senior Lawyers Division	11,590	5,236		16,826	1.05%		
c. Young Lawyers Division	40,245	18,183		58,428	3.63%		
4. Membership Services Program							
a. Annual Meeting (page 12)	46,293	10,362	40,000	16,655	1.04%		
b. Attorney Pages (page 12)			2,750	-2,750	-0.17%		
c. Judicial Receptions (page 12)	579	262		841	0.05%		
d. Leadership Training Institute (page 12)	11,573	5,229	10,000	6,802	0.42%		
e. Member Benefits Programs (page 12)	-		8,500	-8,500	-0.53%		
f. Mentorship Program (page 13)	-		30,000	-30,000	-1.87%		
g. Online Legal Research (page 13)	57,866	26,144	1,200	82,810	5.15%		

See 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
YEAR ENDING DECEMBER 31, 2011

	Total Expenses	Allocated	Non-Dues Funds	Net Amounts Funded	Percentage of Dues		
5. Outreach (page 13)							
a. ABA Day	5,300	2,394		7,694	0.48%		
b. Lawyers Assistance Hotline	120,233	54,320	40,000	134,553	8.37%		
c. Leadership Development	5,272	2,382		7,654	0.48%		
d. Membership Survey	8,680	3,922		12,602	0.78%		
6. Publications							
a. Bar Bulletin (page 13)	284,060	279,774	239,995	323,839	20.13%		
b. Bench and Bar Directory (page 13)	69,490	68,443	100,005	37,928	2.36%		
c. New Mexico Lawyer (page 14)	7,054	6,948	6,300	7,702	0.48%		
d. ENews (page 14)			5,400	-5,400	-0.34%		
7. Sections (page 14)	126,970	57,364	61,000	123,334	7.67%		
C. Public and Legal Services Department							
1. Administration (page 14)	114,570	25,644		140,214	8.72%	10.05%	161,583
2. Other Public Service Initiatives (page 14)	1,800	813		2,613	0.16%		
3. Public Service Program Mock Trial (page 14)	7,500	1,679		9,179	0.57%		
4. Young Lawyers Division (page 15)	7,826	1,751		9,577	0.60%		
D. Regulatory Program-General Counsel (page 15)							
Administration	128,125	28,678		156,803	9.75%	9.75%	156,803
	\$2,321,056	\$ 0	\$712,763	\$1,608,293	100.00%	100.00%	\$1,608,293

III. Legislative Activity (page 15)

- A. Lobby Approved by the Board of Bar Commissioners
- B. Sections' Lobbying Activities

IV. Non-Budgeted 2009 Expenditures (page 16)

V. Non-Budgeted 2010 Expenditures (page 16)

Non-Chargeable (page 16)

2011 Active Dues

Active Dues (over three years)	\$235.00
Active Dues Young Lawyers (three years and under)	175.00
Inactive Dues	80.00

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

Summary of Significant Assumption and Accounting Policies

Year Ending December 31, 2011

Nature of Business

The State Bar of New Mexico was incorporated under the laws of the State of New Mexico in 1978. Prior to 1978, the 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 the 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. The State Bar's activities include collection of dues; publication of the *Bar Bulletin*, the *New Mexico Lawyer*, and the *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, client protection, and law practice management and technology.

Nature of Presentation

This budget presents, to the best of management's knowledge and belief, the 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 03, 2010, 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 2011 activities, by functional category, which will be funded by mandatory dues. Accordingly, this document may not be useful for other purposes.

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, the 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 the State Bar of New Mexico Special Projects was renamed as the New Mexico State Bar Foundation (Bar Foundation). The two corporations, the State Bar and the 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.

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.

Income Taxes

The 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 the State Bar, accounts are maintained in accordance with the principles of the Accounting Standards Codification Section, "Financial Statements of Not-for-Profit Organizations." Under these standards, the State Bar is required to report information regarding its financial position and accounting activities under three classes of net assets. This budget covers all three classes of assets. In addition, the State Bar's accounts are maintained on a functional basis, which retains activity detail on a program-by-program basis.

Presentation Purpose

The statement identifies the major functional categories of the State Bar and includes amounts for activities that are germane to advancing the 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).

Building Occupancy Costs

In August 1996, the State Bar moved into the newly constructed Bar Center. As joint owner of the Bar Center with the Bar Foundation, the State Bar is responsible for its portion of the expenses incurred in operating and maintaining the building. (All of the 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 (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 2011, there will be six regularly scheduled meetings. While Board members receive no compensation, they do receive mileage and per diem allowances for travel in accordance with the State of New Mexico travel policies.

The expenses for Board meetings are based on the assumption that during 2011, four Board meetings will be held in Albuquerque, one will be held in Santa Fe, and one will be held in connection with the annual meeting in Pojoaque. Board committees also conduct business by video conference and 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 2011 travel for the officers is based on the assumption that the president and president-elect will attend the National Conference of Bar Presidents in Atlanta, GA (mid-year) and the annual meeting in Toronto, Canada; the president and vice president will attend the Western States Bar Conference in Maui, HI; the president will attend the annual meetings of the State Bars of Texas, Oklahoma, Utah and Arizona; and president-elect and secretary-treasurer will attend the Bar Leadership Institute in Chicago, Illinois. In a continuing effort to prioritize the philosophical and programming decisions of the State Bar, the officers will hold a strategic planning session with the directors in the fall of 2011. At this meeting, the officers will evaluate the State Bar's progress in meeting its mission, goals and objectives, and will continue strategic planning for the 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.....	\$98,380
Meetings	33,185
Travel.....	21,205
Miscellaneous	1,800
Bar Bulletin Insert	760
Teleconferences	<u>700</u>
	156,030
Allocated G&A	<u>34,924</u>
Total Expenses	<u>(\$190,954)</u>

B. Capital Outlay

During 2011, the 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

Computer & Software upgrades.....	\$40,100
Bar Center Mortgage Principal	37,200
Bar Center upgrades	2,500
Capital Lease Principal Payments:	
Copier.....	<u>15,840</u>
	95,640
Allocated G&A.....	<u>21,407</u>
Total Expenditures	<u>(\$117,047)</u>

C. Litigation**1. General Litigation**

The State Bar does not anticipate any litigation expenses in 2011 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 Expenses	\$100
Allocated G&A	<u>22</u>
Total Expenses	<u>(\$122)</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, the State Bar anticipates that the following expenses may be incurred:

Expenses

Accounting/Budget Audit.....	\$10,000
Direct Labor Allocation	
(Timekeeping)	<u>7,650</u>
	17,650
Allocated G&A.....	<u>3,951</u>
Total Expenses	<u>(\$21,601)</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 2011 allocations of direct labor costs are based primarily on 2010 time studies and outside billings through June 2010. 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 2011 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 the Paralegal Division. Additionally, Foundation programs (Center for Legal Education, Public and Legal Services programs and Bar Center/General) receive managerial support from the State Bar. Duplication revenue outlined below represents copy fees (approximately five cents a page) charged to non-State Bar entities for use of the State Bar's copy machines.

1. Administration

Administration consists of the executive office, accounting, human resources, the print shop, State Bar Center, IT and Www.nmbar.org. Expenses for the 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 and 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	\$60,600
CLE	37,190
Court Reporting Programs Rent & Computer Support	23,000
Client Protection	13,400
Video Conferencing	12,000
Public Legal Service Department	7,880
Duplication	6,300
PHV Fee for Collection & Admin.....	4,870
Admin. Fees for Dues Collection	3,490
Equal Access to Justice.....	1,270
Miscellaneous	1,000
Interest on Bank Accounts	850
Paralegal Division	830
Bar Foundation-General	610
Discounts Taken	375
NSF Fees.....	<u>245</u>
Total G&A Revenue.....	<u>\$173,910</u>

Expenses

Direct Labor Allocation	
(See Notes 2 and 3).....	\$308,785
Equipment Maintenance	55,550
Video Conferencing	47,800
Bar Center Occupancy (see Note 9)	33,000
Insurance	30,470
Audit	29,400
Training & ED & Staff	13,940
Postage Meter Lease.....	13,260
Telephone	12,000
Office/Duplicating Supplies	9,980
Postage	6,100
Taxes and Fees	6,000

Advertising	5,985
Auto Lease	5,400
Pension Plan Administration	5,000
Staff Morale/Retreat	4,000
Bank Fees	3,000
Dues & Subscriptions	2,410
Interest on Capital Leases	1,950
Shred-It	1,730
Miscellaneous	1,000
Internet	750
Errands	600
Printing	300
Total Administration Expenses.....	<u>598,410</u>
Net Administration	(424,500)
Less Allocated G&A	<u>424,500</u>
Total, Net.....	<u>\$0</u>

Activities charged to Administration G&A include:

- Accounting management
- Accounting/bookkeeping services 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
- IT management

2. Accounting

Accounting functions are performed for the State Bar as well as associated law-related entities such as the Client Protection Program. 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, the State Bar must incur a merchant fee between 2.75 and 3.75 percent of the credit card charges processed for VISA, MasterCard, American Express and Discover. Fees for 2011 are based on a reduction in merchant fees reflected in 2010.

Expenses

Credit Card Fees	\$28,000	
Allocated G&A	<u>6,267</u>	
Total Expenses		<u>(\$34,267)</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.....	\$3,900	
Allocated G&A	<u>873</u>	
Total Expenses		<u>(\$4,773)</u>

c. Great Plains Training

In addition, accounting implemented a new account software and after having the software up and running, management has decided to send an accounting staff member for training to improve the efficiency of the software.

Expenses

Training.....	\$3,000	
Allocated G&A	<u>671</u>	
Total Expenses		<u>(\$3,671)</u>

d. Outsourcing Payroll

Management has restructured the accounting department and has decided to outsource the payroll function as a cost saving measure.

Expenses

Payroll Contract	\$5,000	
Allocated G&A	<u>1,119</u>	
Total Expenses		<u>(\$6,119)</u>

3. Human Resources

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

Expenses

Staff Insert (<i>Bar Bulletin</i>)	\$760	
Meetings.....	360	
Directors Retreat	<u>200</u>	
	1,320	
Allocated G&A.....	<u>295</u>	
Total Expenses		<u>(\$1,615)</u>

4. Print Shop Production

The State Bar has a digital press that, beginning in 2011, will print the *Bar Bulletin*, inserts, letterhead, brochures, and a variety of publications for State Bar departments, the Center for Legal Education, sections, divisions, and committees. Four-color printing is also available on the digital press. In addition, mailing services are performed for the weekly *Bar Bulletin* and publications for internal entities.

Expenses

Direct Labor Allocation (see Note 6)	\$88,741	
Digital Press Lease	56,850	
Bar Center Occupancy (see Note 9)	16,200	
Equipment Maintenance	1,250	
Conversion Costs	1,200	
Office Expenses	850	
Training/Education	370	
Miscellaneous	200	
Telephone	150	
Errands.....	50	
OSHA	50	
Dues & Subscriptions.....	<u>30</u>	
	165,941	
Less Allocated G&A	<u>(165,941)</u>	
Total Expenses		<u>\$0</u>

Outside Production

Outside production includes design/page composition, editing, digital printing, CD-DVD duplication and mailing services that are provided to law-related entities, Court Regulated Programs, the Disciplinary Board, and the Bar Foundation. In addition, services are also offered to lawyers and law firms. These projects include producing newsletters for sections and local/voluntary bars, CLE brochures, letterhead and other printed materials. Four-color printing is offered.

Revenue	\$44,000
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website are expected to remain the same as 2010. Revenues include website advertising, and the development and maintenance of sub-sites for other State Bar-related entities.

Expenses

Production Supplies	\$14,200
Production Labor/Benefits	1,890
Postage and Delivery	2,000
Direct Labor Allocation	2,090
Duplicating	<u>140</u>
	20,320
Allocated G&A	<u>20,014</u>
Total Expenses	<u>40,334</u>
Total, Net	<u>\$3,666</u>

5. State Bar Center: Professional Development Center

The Bar Center's Professional Development Center (consisting of three classrooms and eight conference rooms) is available for rent to outside groups and continuing legal education providers to conduct courses and seminars and to law-related entities (including government agencies, Supreme Court committees, voluntary bars and non-profit organizations) at no cost or a minimal fee. The Bar Center offers the rooms listed above as a service to members of the State Bar.

Revenue (see Note 4)\$114,913

Expenses

Bar Center Occupancy (see Note 9)	\$39,400
Conference Rooms, Visiting Attorneys Offices, Computer Resources Room (see Note 9)	36,100
Direct Labor Allocation (see Note 2)	30,940
Food and Beverages	21,890
Telephone	375
Errands	50
Dues and Subscriptions	<u>50</u>
	128,805
Allocated G&A	<u>28,830</u>
Total Expenses	<u>157,635</u>
Total, Net	<u>(\$42,722)</u>

6. IT-Membership Lists

Membership data is available for the purpose of mailings to the membership. An electronic file of the membership database is sold to CLE providers, organizations, lawyers, and law firms who submit the proper paperwork and agreement forms. Email services are also available per policy. A copy of the Board policy regarding the membership data/email services is available at www.nmbar.org.

Revenue

Sales.....\$5,550

7. Website

The State Bar's website, 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 website, non-dues revenues generated by the

Revenue

Administration and Development,
Other Entities..... \$3,150

Expenses

Direct Labor Allocation (see Note 2)	\$18,660
Web Technical Contract	7,500
Printing/Marketing	500
Supplies/Software	<u>500</u>
	27,160
Allocated G&A	<u>6,079</u>
Total Expenses	<u>33,239</u>
Total, Net.....	<u>(\$30,089)</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 cost 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):

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.)

Expenses

Direct Labor Allocation (see Note 6)	\$104,289
Bar Center Occupancy (see Note 9)	15,800
Insurance	9,055
Telephones	<u>4,980</u>

Marketing	3,700
Training/Education	3,010
News Clippings	2,400
Supplies	2,000
Annual Meeting	1,600
Software.....	1,000
Dues and Subscriptions.....	915
Internet.....	750
Duplication	495
Computer M & R	400
Postage	200
Miscellaneous	100
Total Expenses	150,694
Less Allocated G&A	<u>(\$150,694)</u>
Total Expenses	<u>\$0</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 2011, 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).** Promotes the use of dispute resolution processes and provides legal education and training in those methods.
- b. **Board of Editors.** Serves as the editorial board for the *Bar Bulletin* and the *New Mexico Lawyer*.
- c. **Commission on Professionalism.** Pursuant to the New Mexico Supreme Court Order that created a Commission on Professionalism in 2000, the Commission will serve as one of the many providers of annual professionalism courses and will be supported by the State Bar committee pool.
- d. **Committee on Diversity in the Legal Profession.** Promotes opportunities for minorities in the legal profession and encourages participation by minorities in bar programs and activities.
- e. **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.

- f. **Disability Committee.** Provides information and assistance to ensure access to counsel for people with disabilities.
- g. **Ethics Advisory Committee.** Assists attorneys with the 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 State Bar's website.
- h. **Fair Judicial Elections Committee.** Monitors campaign statements, advertising and conduct in elections for judicial office for compliance with the standards of the Code of Judicial Conduct.
- i. **Historical Committee.** Acquires, maintains and submits for publication historical information relating to the State Bar.
- j. **Law Practice Management Committee.** Develops and provides resources for attorneys, especially solo and small firm practitioners and young lawyers, to more effectively manage their law practices.
- k. **Lawyers Assistance Committee.** Provides confidential peer assistance to State Bar members in need of help because of substance abuse, mental illness or emotional distress.
- l. **Lawyers Professional Liability and Insurance Committee.** Advises the State Bar regarding risk management activities.
- m. **Legal Services and Programs Committee.** Facilitates cooperation and coordination of the legal services provided by various segments of the bar and increases public access to the civil justice 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.** Plans State Bar membership events that provide opportunities for members to network with each other and with those in other professions.
- q. **New Mexico Medical Review Commission.** Attorney and physician panel members screen medical malpractice claims.
- r. **Public Legal Education Commission.** Provides law-related education to foster an understanding of the law, the legal system, individual rights, privileges and responsibilities of engaged citizens.
- s. **Technology Committee.** Assists with the development and promotion of electronic technology applications for the legal profession.

Expenses

Committee Pool.....	20,000
Direct Labor Allocation	\$17,470
Committee Chair Orientation.....	500
	37,970
Allocated G&A	<u>17,155</u>
Total Expenses	<u>(\$55,125)</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 2011 include conducting oral histories of senior members.

Expenses

Oral History Project.....	\$3,690	
Presentation Meetings.....	2,000	
ABA Meeting.....	2,000	
Director Labor.....	1,400	
Administrative Express.....	1,200	
Judicial Service Awards.....	1,000	
Board Meetings.....	<u>300</u>	
	11,590	
Allocated G&A.....	<u>5,236</u>	
Total Expenses.....		<u>(\$16,826)</u>

c. Young Lawyers Division (YLD)

The Young Lawyers Division conducts membership outreach by providing information and membership programs such as:

- Bar Exam Support Programs
- Bench/Bar Activities
- Career Fair
- CLE
- Honors and Awards
- Law School Activities
- Leadership Training Institute
- Membership Communication (Brochures and Mailings)
- Publications
- Networking
- Summer Fellowship
- Swearing-in Receptions

Expenses

Direct Expenses.....	\$19,750	
Direct Labor.....	<u>2,483</u>	
	22,233	
Allocated G&A.....	<u>10,045</u>	
Total Expenses.....		<u>(\$32,278)</u>

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

Expenses

Direct Expenses.....	\$16,000	
Direct Labor.....	<u>2,012</u>	
	18,012	
Allocated G&A.....	<u>8,138</u>	
Total Expenses.....		<u>(\$26,150)</u>

4. Membership Services

a. Annual Meeting

The State Bar and Center for Legal Education will collaborate on producing the 2011 annual meeting at Buffalo Thunder in Pojoaque, NM. The State Bar will solicit donations, plan social events (the Past Presidents' Dinner and other receptions), and present the annual State Bar awards.

Revenue \$40,000

Expenses

Receptions.....	\$19,100	
Past Presidents Dinner.....	8,500	
Director Labor.....	6,293	
Exhibitors.....	3,500	
Awards.....	3,500	
Golf.....	2,900	
Staff.....	<u>2,500</u>	
	46,293	
Allocated G&A.....	<u>10,362</u>	
Total Expenses.....		<u>56,655</u>
Total, Net.....		<u>(\$16,655)</u>

b. Attorney Pages

The State Bar develops and hosts firm website pages.

Revenues \$2,750

c. Judicial Receptions

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

Expenses	\$579	
Allocated G&A.....	<u>262</u>	
Total Expenses.....		<u>(\$841)</u>

d. Leadership Training Institute

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

Revenue \$10,000

Expenses

Direct Expenses.....	\$11,573	
Allocated G&A.....	<u>5,229</u>	
Total Expenses.....		<u>16,802</u>
Total, Net.....		<u>\$(6,802)</u>

e. Member Benefits Program

Vendors participating in the Member Benefits Program provide savings on products and services to members. Companies offer discounts on insurance, financial services, travel, office supplies, and more.

Revenues \$8,500

Allocated G&A.....2,382
 Total Expenses (\$7,654)

f. Mentorship Program

The State Bar is preparing to implement, with the Supreme Court's approval, a new mentorship program for newly licensed New Mexico attorneys.

Revenues.....\$30,000

g. Online Legal Research

The Board of Bar Commissioners has entered into a contract with Casemaker to provide free online legal research for State Bar members. The contract expires in 2011. The budget projects that the Board will renew the at the same cost as the current contract, although no decision has been made.

Revenue.....\$1,200
Expenses
 Direct Expenses.....\$57,866
 Allocated G&A.....26,144
 Total Expenses.....84,010
 Total, Net..... (\$82,810)

5. Outreach

The State Bar will reach out to the public and members in 2011 to communicate State Bar programs and services, and to promote collaboration among and support to voluntary and local bars.

a. ABA Day

Two New Mexico representatives will attend the national American Bar Association's ABA Day in Washington to impress upon legislators the importance of attorneys and the legal community. This is an annual event.

Expenses.....\$5,300
 Allocated G&A.....2,394
 Total Expenses..... (\$7,694)

b. Lawyers Assistance Hotline

The Lawyers 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.

Revenue.....\$40,000

Expenses.....\$120,233
 Allocated G&A.....54,320
 Total Expenses.....174,553
 Total, Net..... (\$134,553)

c. Leadership Development

The State Bar is asked on occasion to support law student and other law-related activities to benefit future leaders in New Mexico. These activities have included event sponsorship for law student groups and conference attendance for members.

Expenses.....\$5,272

d. Membership Survey

State Bar will conduct a comprehensive membership survey in 2011 to assess members' needs and issues facing the profession.

Expenses.....\$8,680
 Allocated G&A.....3,922
 Total Expenses..... (\$12,602)

6. Publications

The Membership and Communications Department and the Print Shop produce numerous publications for the State Bar and its members as well as for sections, committees and divisions. The direct and indirect costs are identified below and under the categories and descriptions of State Bar G&A, Sections, Committees and Divisions (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 advertising.

Revenue
 Advertising.....\$238,500
 Inserts.....11,475
 Subscriptions.....4,820
 Contra Tax Account-Gross Receipts..... (14,800)
 Total Revenues (see Note 6)..... \$239,995

Expenses
 Printing.....91,040
 Postage and Delivery.....71,050
 Production Labor and Benefits.....94,300
 Direct Labor Allocation.....27,670
 284,060
 Allocated G&A.....279,774
 Total Expenses..... 563,834
 Total, Net..... (\$323,839)

b. Bench and Bar Directory

The *Bench and Bar Directory* lists the membership of the State Bar with addresses, telephone and fax numbers, e-mail addresses and employer/firm names. The directory also lists State Bar-related entities; rules relevant to the practice of law; State Bar sections, committees, and divisions; the judiciary; the Board of Bar Commissioners; other State Bar-related information; government offices; and tribal courts. Revenue related to advertising and sales are anticipated to increase slightly.

Revenue
 Subscriptions.....\$69,700
 Advertising.....35,605
 Contra Tax Account-Gross Receipts..... (5,300)
 Total Revenues (see Note 6)..... \$100,005

Expenses
 Printing.....43,050
 Postage and Delivery.....16,100

Production Labor and Benefits	5,700
Direct Labor Allocation.....	4,640
	69,490
Allocated G&A	68,443
Total Expenses	137,933
Total, Net	<u>(\$37,928)</u>

c. New Mexico Lawyer

The *New Mexico Lawyer* is a special quarterly insert in the *Bar Bulletin*. It is produced by groups within the State Bar and edited by the Board of Editors. The goal of each issue is to present articles and essays which explore a current topic that is of interest to a broad segment of the legal community.

Revenue	
Advertising	\$6,800
Contra Tax Account-Gross Receipts	(500)
Total Revenues	<u>\$6,300</u>
Expenses	
Printing.....	2,500
Production Labor and Benefits	2,100
Postage and Delivery.....	1,364
Direct Labor Allocation.....	1,090
	7,054
Allocated G&A	6,948
Total Expenses	14,002
Total, Net	<u>(\$7,702)</u>

d. ENews

ENews, a weekly electronic newsletter, is a service of the State Bar of New Mexico. The purpose is to provide members with relevant and timely information and pertinent links regarding meetings, events, items of interest to the general membership and brief descriptions of the services and benefits offered by the State Bar. The State Bar is committed to keeping its members up to date on current happenings in the legal community. ENews is emailed every Friday morning.

Revenues	\$5,400
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7. Sections

Nineteen sections relating to areas of law or types of practice are funded with voluntary dues paid by their members. Total fees collected in 2011 are expected to increase by 3.5 percent over 2010. The State Bar provides the following administrative support to each section: process dues payments; maintain records; advise members on State Bar/section policies and procedures; administer elections; facilitate submission of annual budgets to the executive director and provide monthly financial statements; facilitate submission of annual reports and agenda items to the Board; handle meeting logistics; assist with member surveys; aid in communication among members and to the public through e-blasts, the State Bar website, newsletters, ENews, the *Bar Bulletin*, and mailings; and prepare and distribute media releases. Sections are permitted to lobby the State Legislature on law-related subjects provided such lobbying complies with Article XI of the State Bar Bylaws and is not identified as being sponsored by the State Bar.

Revenue (see Note 5)	\$61,000
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Expenses	
Direct Labor Allocation	\$65,470
Section Expenses	61,000
Section Chair Orientation	500
	126,970
Allocated G&A	57,364
Total Expenses	184,334
Total, Net.....	<u>(\$123,334)</u>

C. Public and Legal Services Department

1. Administration

The Public and Legal Services Department 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 the Bar Foundation. Programs include (see Note 7):

- Lawyer Referral for the Elderly Program (LREP), which has a legal helpline, outreach and referral program.
- Outreach/Referral and Education Services which includes information, referrals, public education and outreach programs of the State Bar and the Bar Foundation.

Direct expenses were estimated using historical results.

Expenses	
Direct Expenses	\$114,570
Allocated G&A.....	25,644
Total Expenses	<u>(\$140,214)</u>

2. Other Public Service Initiatives

From time to time, PLSD assists with special initiatives for the public that include programs to address issues such as cancer and HIV/AIDS. Also, the State Bar supports the Law Day activities.

Expenses	
Direct Expenses	\$1,800
Allocated G&A.....	813
Total Expenses	<u>(\$2,613)</u>

3. Public Service Programs

Public Service Programs secure and coordinate volunteers, provide administrative support, and work with schools across the state on law-related education projects such as Constitution Day, the Student Essay Contest, Mock Trial, Dialogue on Freedom, Classroom Law Project, and others. Membership support includes direct contributions to Mock Trial as approved by the Board.

Mock Trial Expenses	
Direct Expenses	\$7,500
Allocated G&A.....	1,679
Total Expenses	<u>(\$9,179)</u>

4. Young Lawyers Division Public Service Programs

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

- FEMA
- NMHBA/UNM Law Camp
- Call-In Programs
- Voices Against Violence

- Junior Judges
- Homeless Legal Clinic
- Wills for Heroes
- Serving our Seniors

Expenses

Direct Expenses.....	\$6,950
Direct Labor	<u>876</u>
	7,826
Allocated G&A	<u>1,751</u>
Total Expenses	<u>(\$9,577)</u>

D. Regulatory Program—General Counsel

1. Administrative

The Office of General Counsel is a professional office that assists the State Bar and the Bar Foundation with policy and regulatory functions of an integrated bar. Specifically, its functions are to protect the legal and policy interests of the State Bar; assist in governance and regulatory functions; provide a professional legal resource for leadership, volunteers and staff; assist with outreach to the judiciary; and to advise in the areas of legislative, executive and judicial processes. In addition to the internal support provided to the State Bar as noted above, the Office of General Counsel advises, provides legal support, and administers the following programs:

- Attorney Helpline (member and non-admitted) provides members of the State Bar and non-admitted attorneys information and referrals in areas of attorney regulation, registrations, rules and practice.
- Client Assistance Information provides members of the public information pamphlets concerning their relationship with their attorney, including advising on issues such as communication, billing, client files and fee disputes.
- Client Protection Fund administers the Client Protection Fund Commission which investigates claims against lawyers on issues regarding reimbursable losses caused by a lawyer's misappropriation of client funds or other dishonest conduct.
- Ethics Assistance for Attorneys includes the following:
 - Advisory Helpline provides quick ethics answers to questions posed to the ethics helpline at 1-800-326-8155.
 - Ethics Advisory Opinions are archived and searchable by date of issue or by topical index on the State Bar's website at www.nmbar.org.
 - Ethics Advisory Committee assists lawyers with questions regarding one's own conduct in relation to the New Mexico Rules of Professional Conduct. The committee provides written formal and informal responses to inquiries from the membership.
- Fair Judicial Elections Committee educates candidates for judicial office on the existence and content of rules applicable to judicial election campaigns, assists candidates in understanding and complying with those rules, monitors and investigates campaign statements and advertisement for rule compliance.
- Fee Arbitration Program provides fee arbitration to resolve fee disputes between attorneys and their clients or disputes between attorneys. This free program is designed to provide an efficient and confidential alternative to litigation.
- Lawyers Assistance Program assists lawyers with mental illness, emotional distress and substance abuse with the support they

need. The free confidential 24-hour helpline is (800) 860-4914 or (505) 228-1948.

- Lawyers Professional Liability and Insurance Committee advises the State Bar regarding risk management activities and provides information on professional malpractice insurance for members.
- Pro Hac Vice manages registrations for non-admitted lawyers wishing to appear before a New Mexico court in a civil matter. The general counsel's office receives and tracks all registration certificates and provides information. Fees collected under the Pro Hac Vice rule are used to support the delivery of civil legal services to the poor in New Mexico.

Expenses

Direct Labor Allocation	
(see Notes 2 and 3)	\$103,840
Bar Center Occupancy (see Note 9)	6,200
Risk Management	5,700
Insurance	2,695
Telephone	2,480
Training/Education	2,410
Dues and Subscriptions	1,900
Printing/Marketing	1,000
Duplicating/Supplies	800
Audit	600
Postage	400
Miscellaneous	<u>100</u>
	128,125
Allocated G&A	<u>28,678</u>
Total Expenses	<u>(\$156,803)</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 2011; 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 2011 and no specific lobbying activities have been approved. In the event that lobbying activities are approved and subsequently reported to the membership in 2011, 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 Bylaws regarding lobbying 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 Bylaw, Article XI, 11.7(b) 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 the 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 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. 2009 Non-Budgeted Expenditures

There were no material non-budget expenditures incurred in 2009.

V. 2010 Non-Budgeted Expenditures

Any material 2010 non-budgeted expenditures approved by the Board will be reported in the 2012 Budget Disclosure document. At that time, any such expenditure will have been audited as part of the 2010 annual audited financial statements.

Non-Chargeable

The Board has determined that all of the proposed expenditures for 2011 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 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, 2010.
- 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 relation of the aggregate of budgeted non-dues revenue and direct out-of-pocket expenses by specific activities in relation 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 relation of the aggregate of budgeted non-dues revenue and direct out-of-pocket expenses by specific activities in relation to the whole.

Note 3. General Administration Labor and Benefits Expense Distribution

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

Gross Salary and Benefits	\$507,000
Less Amounts Charged Directly to State Bar-Interdepartmental	
Direct Labor.....	(198,215)
Amount to General Administration, Administration Office	<u>\$308,785</u>

Note 4. State Bar Center Professional Development Center

Professional Development Center

The Bar Center space owned by the State Bar provides three classrooms, a boardroom, and six conference rooms. The classrooms are rented as three individual rooms or as one double room and one single room. During 2010 these classrooms were rented by CLE and numerous third-party entities including an annual contract with ITT. Management believes that ITT will continue the use of the Bar Center. “Food and Beverage” itemized below includes direct costs for food and beverages (page 10) for inventory and food and beverages ordered from third party entities. Rental revenues are expected to decrease by 9 percent in 2011, to better reflect accrual revenues expected in 2010 . Projected revenues for 2011 are as follows:

CLE and Third-Party Utilization	\$71,210
Food and Beverage Sales.....	32,650
ITT Estimated Utilization	7,000
Equipment Rental.....	4,850
Labor Charged Out	3,280
Contra Tax Account-Gross Receipts.....	<u>(4,067)</u>
.....	<u>\$114,913</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 Senior Lawyers Division, Young Lawyers Division, sections, committees and State Bar G&A. Direct expenses prior to direct labor allocations have been forecasted based on individual budgets generated by the respective committees and divisions. The total budget for committees does not exceed the gross

budget approved by the Board. The direct expenses of sections have been projected to equal forecasted revenues.

Annual Meeting

The State Bar and Center for Legal Education will collaborate on producing the 2011 annual meeting at Buffalo Thunder in Pojoaque, NM. The State Bar will solicit donations, plan social events (the Past Presidents' Dinner and other receptions), and present the annual State Bar awards.

Sections

The 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 by paying dues. Separate accounts are maintained for the operations of each section. Section revenue is derived from voluntary fees paid by members requesting to join particular sections. The 2011 section membership revenue is based on the 2010 activity.

Projected 12/31/10	
Section Membership	3,620
Average Fee per Section	\$16.84
Projected 2011 Section	
Membership Revenue (rounded)	<u>\$61,000</u>

Note 6. Publications

A. Revenue

Bar Bulletin (Weekly)

As discussed in Note 1, in 2011, 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	6.4	\$155,300
Classified Ads	2.5	83,200
Inserts		<u>11,475</u>
Advertising		<u>249,975</u>
Subscriptions		
<i>Bar Bulletin</i>		<u>4,820</u>
		254,795
Less Related Gross Receipts Tax		<u>(14,800)</u>
Total Revenue.....		<u>\$239,995</u>

2011 *Bar Bulletin* advertising revenue is projected to increase by nine percent from the forecasted 2010 revenue amounts. Six inserts are expected to be sold at \$750 and nine insets are expected at \$775 per insert in 2011.

Bench and Bar Directory

Revenue related to advertising and sales is projected to decrease by 12 percent in 2011. Publication sales are projected to decrease by 21 percent from the forecasted 2010 revenue amounts due to not reaching 2010 sales projections.

Revenue

Forecasted 2011 Advertising	\$35,605
Forecasted Directory Sales	<u>69,700</u>
2011 Forecasted <i>Bench and Bar Directory</i>	105,305
Less Related Forecasted Gross Receipts Tax	<u>(5,300)</u>
2011 Forecasted <i>Bench and Bar</i>	
<i>Directory Revenue, Net</i>	<u>\$100,005</u>

B. Expenses

Expenses for publications are categorized as follows:

- Direct material expense.
- Direct labor expense.
- Office overhead represents expenses that are not directly attributable to a particular production project. Publication expenses were adjusted to reflect a marginal two percent rate of inflation.

Publication

Labor and Benefits Expense Distribution

Administration, 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 have been calculated at a rate of 49 percent from the Membership and Communications Department and 43 percent from Administration and Print Shop production. The percentages were estimated from the production jobs completed in 2009. 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:

	Forecasted		
Account Distribution	Administration	Membership &	Total
Forecasted	Production	Communications	Amount
Gross Salary and Benefits	\$143,655	\$250,000	\$393,655
Less:			
<i>Bar Bulletin</i>			
Labor Expense	66,500	27,800	94,300
<i>Bench and Bar Directory</i>			
Labor Expense	1,700	4,000	5,700
<i>New Mexico Lawyer</i>			
Labor Expense	600	1,500	2,100
Outside Production,			
Labor Expense	<u>1,790</u>	<u>100</u>	<u>1,890</u>
	70,590	33,400	103,990
Amounts Charged Directly			
from State Bar-			
Interdepartmental			
Direct Labor	<u>(15,676)</u>	<u>112,311</u>	<u>96,635</u>
Amount to G&A (rounded)	<u>\$88,741</u>	<u>\$104,289</u>	<u>\$193,030</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 2011 represents approximately 73 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: Bridge to Justice Legal Assistance Programs, Lawyer Referral for the Elderly Program, Public Service Programs, and the Young Lawyers Division Programs. Other Public Service Initiatives and Administration represents the 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 expenses for Production were 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

The State Bar and the 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 the State Bar. It is expected that the Foundation will own 36 percent of the Bar Center. The 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 the State Bar to what is now the Bar Foundation. For the purposes of identification and designation of the Bar Center floor space for 2009, Bar Foundation activities include CLE, and Public and Legal Services Programs, as well as rental of the auditorium. This program allocation is consistent with 2008 allocations. During 1998, the State Bar completed construction of approximately 2,000 square feet of previously unfinished building space. The Bar Center building now provides 23,865 square feet of usable space. The State Bar has fiscal responsibility for 15,477 square feet of that office space based on projected 2008 ownership percentages. In 2002, the 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. Late in 2009, the State Bar refinanced the mortgage for \$800,000 for an eight-year mortgage at a variable rate of five percent. 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 to the bank in 2011 are estimated to be approximately \$37,200 and \$40,500 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

Utilities	\$35,990
Building Interest	40,500
Repairs and Maintenance	32,060
Janitorial and Supplies	17,950
Real Estate Taxes	14,290
Landscape Maintenance	3,840
Direct Labor	4,160
Property Insurance	2,310
Total Building Occupancy Cost	<u>\$151,100</u>

Less Departmental Occupancy Allocations:

	Square Feet	
Professional Development Center	3,980	(\$39,400)
Conf. Rooms, Visiting Atty. Offices	3,646	(36,100)
Administration	3,321	(33,000)
Print Shop/Production	1,650	(16,200)
Membership and Communications	1,605	(15,800)
General Counsel	681	(6,800)
Lawyers Concerned for Lawyers	<u>374</u>	<u>(3,800)</u>
Total, Net	<u>15,257</u>	<u>(\$151,100)</u>

Challenges to the 2011 Budget Proposal

TO: Executive Director, State Bar of New Mexico
 5121 Masthead NE • PO Box 92860
 Albuquerque, NM 87199-2860

FROM: _____

I challenge the following expenditures: (Use additional paper as necessary)

Signature

Postmarked on or before December 14, 2010.
Delivered in person or by fax (505) 797-6019 on December 15, 2010.